

# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

LONDON, THURSDAY, OCTOBER 15, 1987

Algeria... 4.00 Da. Iran... 115 Bah. Oman... 0.900 Bah.  
Australia... 2.75 Israel... 1.45 Portugal... 1.25 Ec.  
Belgium... 0.750 Da. Italy... 1.000 Lire. Qatar... 6.50 Bah.  
Bolivia... 50 P. Jordan... 490 P. Rep. of Iceland... 75 P.  
Canada... C. 1.95 Can. Dollar... 2.000 Can. Dollar... 7.00 C.  
Cuba... C. 0.50 Cuban... 500 P. Spain... 135 P.  
Denmark... 10.00 Dkr. Libya... L. 0.40 Sweden... 4.00 S.  
Egypt... E. 2.750 Egyptian... 50 L. Switzerland... 2.50 Sfr.  
Federal... 2.00 P. West... 125 Ec. Taiwan... 0.200 Da.  
France... F. 10 F. Morocco... 8.00 Dn. Turkey... T. 1.500 L.  
Germany... 7.70 D.M. Netherlands... 3.00 Fl. U.A.E. ... 2.50 Dh.  
Great Britain... G. 0.80 Norway... 8.00 Nkr. U.S.A. ... \$ 1.00  
Greece... 110 Dr. Nigeria... 4.000 Naira. Yugoslavia... 1.300 D.

ESTABLISHED 1887

## Stingers Alter Face Of the Afghan War

### U.S.-Made Missile Lifts Rebel Spirits And Forces Soviet to Change Tactics

By Michael Greder  
Washington Post Service

TERI MANGEL, Pakistan — In this outpost a mile from the Afghan border, the talk among young Afghan resistance fighters who cross the mountains to battle Soviet forces is mostly about something very modern — the U.S.-supplied Stinger anti-aircraft missile.

"The fighting is going much better this year," said one of the guerrillas of the mujahidin, or resistance, who has been fighting for three years.

The main reason, he said, is the arrival of the Stinger, a heat-seeking missile fired by ground troops. Sources in Teri Mangel say the missile has about an 80 percent kill ratio against Soviet planes and helicopters.

"There are still very few of them here," said another guerrilla. "And only the most highly trained get to use them. We must get one plane per shot. So we use them against the higher-flying jets and use rocket-propelled grenades and 12.5mm machine guns against the low flying planes," he said through a translator.

"The Stinger has caused the Soviets to change strategy," said a third resistance fighter. "Mostly they stay in their garrisons now. Their strategy is to hold on, since they don't have air cover all the time."

According to interviews this week with resistance leaders, Western and Pakistani military experts and diplomats elsewhere in the country, the overwhelming new factor in the eight-year war in Afghanistan is the impact of the Stinger since its arrival late last year.

The mujahidin have the first model of the Stinger. More advanced versions have been developed in the United States.

Reports from Washington that the Stinger may have fallen into Iranian hands through some of the resistance groups battling the Soviet-Afghan government forces are puzzling to officials in Teri Mangel, who claim there is a good system of accountability for these weapons.

They also point out that the missile is in the inventory of other friendly countries.

There is little doubt that the Stingers have knocked down very large numbers of Soviet jets and helicopter gunships, although some Western military analysts are skeptical of claims that about 450 aircraft have been downed by all means in the past year.

There is no doubt, however, about its impact on the morale of



PAKISTANI CLASH — Policemen firing tear gas into a Sunni Moslem mosque in Karachi on Wednesday to quell a protest. The Sunnis were demanding a change in a procession by Shiite Moslems that passes the mosque.

## In Sri Lanka, End of Easy Assumptions

By Barbara Crossette  
New York Times Service

COLOMBO, Sri Lanka — As heavy fighting again ravages the Jaffna Peninsula of Sri Lanka, forcing people who had just begun to enjoy peace back into precarious shelters, many Sri Lankans and Indians are also witnessing the destruction of myths and the ethnic alignments they supported.

The once-solid front among the Sinhalese majority inside and outside government is crumbling as dissension has grown over the invitation of Indian forces into the country.

And New Delhi's troops, sent as a peace-keeping force, are now combatants, resented by Tamils as well as Moslems and Sinhalese and seen by all of them as intruders.

Through more than a decade of rising ethnic tensions, culminating in four years of guerrilla war, both sides of the conflict seemed clear.

Tamil militants in the Northern and Eastern Provinces, drawn from a group representing about 15 percent of the population, were fighting for a Tamil homeland.

Arrayed against them were Sri Lanka's ethnic majority, the Sinhalese, who considered the destruction of the myth of the ethnic alignments they supported.

Tamil rebels killed 30 Indian troops in the Jaffna Peninsula. Page 4.

Delhi that allowed the guerrillas to train on Indian soil.

In the last few years, when Tamils died in Jaffna at the hands of Sri Lankan troops, especially in cases involving civilians, there was outrage in Madras and New Delhi. When Tamil rebels arrived for talks with Sri Lankans in foreign cities, they were escorted by Indians.

When the Sri Lankan Army started an offensive five months ago against the Tamil guerrillas of the Jaffna Peninsula, the Indians dropped relief parcels to the rebels.

Today, Indian troops are killing Tamils in Jaffna, some reportedly civilians, and the strongest of the Tamil armies, the Liberation Tigers of Tamil Eelam, has turned its guns and propaganda on the Indians.

A high government official said some Tam-

## Dow Plunges 95 As U.S. Trade Gap Remains Near Record

By Stuart Auerbach  
Washington Post Service

WASHINGTON — The government said Wednesday that the U.S. merchandise trade deficit improved slightly in August, but the figure was still higher than anticipated, and the Dow Jones Industrial average reacted by plummeting a record 95.40 points.

The report also precipitated a drop in the dollar and drove up a key interest rate in the bond market.

The August deficit narrowed to \$15.7 billion from July's record \$16.5 billion, the first decline in the trade figures in five months, the Commerce Department reported. But economists had predicted that the deficit would shrink even further in August, to between \$14 billion and \$15.5 billion.

Despite the \$800 million improvement from the month before, the August deficit was the third highest on record. The trade figures for the first eight months of the year, moreover, indicate that the total for 1987 will be the highest ever. Reagan administration officials have predicted that last year's record \$156.1 billion would narrow this year.

"The trade figures are still bloody bad," said Stephen Dakin, foreign-exchange trading manager in New York for Union Bank of Switzerland. "Where does it all stop? They keep saying they are going to get better, but they haven't yet."

On the New York Stock exchange, the Dow's drop, to 2,412.70, represented 3.8 percent of its value. The previous record fall, of 91.55 points, came just eight days earlier, on Oct. 6. (Page 12.)

The dollar began falling in currency markets in Europe and New York soon after the figures were released.

In London, however, dealers said the decline was moderate in light of the market's disappointment in the trade figures. The dollar closed there at 1.8110 Deutsche marks, down from 1.8205 at Tuesday's close, and at 142.65 yen, down from 143.70. Earlier in the day, the dollar had been down about 1.50 pennings and 1.50 yen. (Page 17.)

The trade news pushed the yield on the bellwether 30-year Treasury bond above 10 percent for the first time since 1985.

David D. Hale, first vice president and chief economist for Kemper Financial Services in Chicago, said, "Wall Street is beginning to face the fact that the American trade deficit may not come down without a recession."

He said that meant lower stock prices and higher interest rates on bonds. He also suggested a further fall in the value of the dollar to about 130 Japanese yen over the next 12 to 18 months.

Allen Sinai, chief economist for Shearson Lehman Brothers Inc., added, "For the bond and stock market, you have a day of disaster."

Mr. Sinai, who predicted a trade deficit of \$15.5 billion, near the actual figure, said the markets fell because of fears that the continued high U.S. trade and budget deficits present "a downside risk for the dollar" that could lead to higher interest rates and greater inflation.

Together, these form "a double whammy" in next month's Treasury auction for foreign investors, whose purchases are needed to finance those deficits, he added.

"They lose when the dollar goes down and lose when interest rates go up," raising questions in traders' minds as to whether they will stay away from the auction, forcing interest rates still higher to capture foreign investment, he said.

"No matter how you cut it," Mr. Sinai said, "there is still not a clearly definable trend of improvement in merchandise trade. The big picture view is we still have this trade deficit. There is not a significant trend toward improvement yet."

But Jerry Jasnowski, chief economist of the National Association of Manufacturers, said the trade

## 2 Share Nobel Physics Prize

The Associated Press

STOCKHOLM — Georg Bednorz of West Germany and K. Alex Mueller of Switzerland were awarded the Nobel Prize in Physics on Wednesday for discovery of new superconducting materials.

A French researcher, Jean-Marie Lehn, shared the chemistry prize with Donald J. Cram and Charles J. Pedersen of the United States for work in the synthesis of molecules that can mimic important biological processes.

The winners of the physics prize, Mr. Bednorz, 37, and Mr. Mueller, 60, are researchers at the IBM Zurich Research Laboratory in Switzerland.

The chemistry research by Mr. Cram, 68, Mr. Lehn, 48, and Mr. Pedersen, 83, could be used to separate radioactive tissues from other tissues and for the purification of molecules. It also may have future application in energy production.

In announcing the chemistry prize, the Royal Swedish Academy of Sciences cited the researchers' work in making relatively uncomplex compounds that perform the same functions as natural proteins.

The awards committee said that

## 2 Share Nobel Physics Prize

"great progress" toward "this goal" had been made in the last 20 years, "and it is the pioneering achievements in this particular area that are now being recognized."

The committee said the scientists' work laid the foundation for an area of research that has become known as "host-guest chemistry" or "supramolecular chemistry."

"At the basis of many biological processes lies the ability of molecules to recognize each other and to form well-defined complexes," the announcement said. "In most cases, one or more compounds of low molecular weight bind to a specific region in a high-molecular-weight compound, most often a protein on a nucleic acid. The binding is very specific and selective, and the low-molecular-weight compound must fit the high like a key in a lock."

Two works published by Mr. Pedersen in 1967 became classics in the field, while Mr. Lehn and Mr. Cram later built on his studies, the announcement said.

"Pedersen, Lehn and Cram laid the foundations of what is today one of the most active and expanding fields of chemical research," the committee said. "The goal is to



Georg Bednorz of West Germany, left, and K. Alex Mueller of Switzerland, winners of the Nobel physics prize, in Rorschikon, Switzerland, after the announcement on Wednesday.

## Soviet Crash, Language Gap Linked

MOSCOW — A Soviet airliner crashed in East Berlin last year because the plane's crew did not understand instructions from air traffic controllers speaking English, the weekly Literaturnaya Gazeta reported Wednesday.

The crash of the Aeroflot Tupolev 134 at Schoenefeld Airport on Dec. 12, 1986, killed 72 people, including 19 children.

Literaturnaya Gazeta said the East German air traffic controllers ordered the pilot to use a landing strip to the left because the strip to the right was closed for tests.

"The Tupolev did not understand; it headed for the right-hand strip," the newspaper said. "When the misunderstanding became clear, it was too late — the plane's shift to the other landing strip ended in catastrophe."

It said near-collisions had occurred over Soviet airports because the country's air traffic controllers spoke poor English, the international language of commercial air traffic, and could not be understood by incoming pilots.

The problem was growing worse, the paper said, because the number of foreign airlines flying into the Soviet Union was increasing and the number of air traffic controllers decreasing.

"Nobody has seriously dealt with decades of problems facing Aeroflot air traffic controllers," the newspaper said.

It said the Soviet national carrier paid its pilots and air traffic controllers bonuses of 5 percent for using English in their work, while workers in all other Soviet branches received 10-percent bonuses for foreign language use.

Literaturnaya Gazeta discredited Aeroflot data for near-collisions, saying the statistics were based on reports by pilots instead of on more objective criteria.

The figure of nine close calls in Soviet airspace in 1986, compared to 812 in the United States, could only be described as a joke, the paper said. It said the figure might apply to a Caribbean airline with three airplanes but not to Aeroflot.

## Kiosk M'Bow Slips, Spaniard Gains

PARIS (Reuters) — Amaloud M'Bow of Senegal lost his bid to become a candidate to lead the United Nations Educational, Scientific and Cultural Organization, officials said. The Spanish candidate, Federico Mayor, gained ground.

Officials said Mr. M'Bow, who is seeking a third term, received 21 votes in a fourth secret ballot by UNESCO's executive board. That is two less than he received in voting Tuesday and five short of the 26-vote majority needed.

Mr. Mayor got 19 votes, one more than he did Tuesday. The two candidates now face a final fifth ballot.

## Vladimir Stepak, the Soviet dissident, has been granted a visa to leave the country.

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GENERAL NEWS

St. Louis beat San Francisco, 1-0, forcing the National League championship series to a decisive seventh game. Page 19.

BUSINESS/FINANCE

CBS Inc.'s chief executive reportedly opposes the sale of its record unit to Sony. Page 13.

## A Drill on Names for Corporate Success

By Michael Winicup  
New York Times Service

PEARL RIVER, New York — American corporations hire Jon Keith to help their executives improve their name-dropping skills. "The No. 1 corporate problem in America," Mr. Keith told 2 Lederle Lab employees, "is names and faces!"

Abashed looks among his audience suggested that for most of them Japan was the problem.

But Mr. Keith believes if sales people did a better job remembering clients' names, profits would go through the roof. As everyone knows, names are money. He told the Lederle workers in Pearl River that if they followed his system, they would improve their memories 45 percent, right off.

"I know what you're saying — 'I cannot do this!' Mr. Keith said. 'Impossible is not a word in this course. Believe me, when you finish this course, be prepared to be called 'genius.' They were prepared."

"O.K.," said Mr. Keith, "who remembers the 1-2-5 idea we discussed last week? The 1-2-5 idea? You forgot the 1-2-5 idea!"

If he wanted to, Mr. Keith could hire himself out for parties and shock people with everything he remembers. His record is remembering the names of 644 people in a room. He can memorize Time or Newsweek in an hour, with one eye tied behind his ear.

But he believes in the 1980s that the way to go is corporate name-dropping. He has tutored chief executive officers to improve their name-dropping skills. "They're fearful of their age," he said, "and they want to prove to themselves they still have good memories, they can still make more money, they can still get more power."

He has been hired to give memory seminars at International Paper, National West-

## Big Bucks Stop Here

Columbia Draws the Line in Clash Between Academia, Big Business

By Leslie Wayne  
New York Times Service

NEW YORK — When the Columbia Graduate School of Business asked Asher B. Edelman, an expert in company takeovers, to teach a course on corporate raiding, Dean John C. Burton thought students would gain some valuable lessons.

But when Mr. Edelman offered a windfall to the student who turned theory into practice, the dean drew the line.

Mr. Burton halted Mr. Edelman's plan to offer a \$100,000 finder's fee to the student who identified a company for Mr. Edelman to buy.

At issue is a classic clash of values between the purity of the academic world and the money-making orientation of business.

Mr. Burton maintains that offering economic incentives is inappropriate in a classroom of ideas while Mr. Edelman argues that a financial incentive, such as his finder's fee, is a way to instill entrepreneurial spirit.

"We felt that the linkage between direct economic incentive and what goes on in the classroom — especially an incentive of this magnitude — would bias the academic environment," Mr. Burton said. "Mr. Edelman's course is challenging enough that it didn't need this."

The argument was settled Tuesday in Mr. Edelman's class when Mr. Burton told the students that the offer was being rescinded. Mr. Edelman had so strongly disagreed that he insisted that the dean — and not he — explain the decision.

Mr. Edelman said he backed down after it became clear that the university's graduate business school might end his teaching assignment as an adjunct professor.

"What bothers me most is that this is a violation of the integrity of the classroom, of my right to teach after I was hired and of the student's right to learn," Mr. Edelman said. "This is a trade school, really, and I'm trying to teach the students how to go out and be entrepreneurial and take success."

See FEE, Page 5

## Keith could hire himself out for parties and shock people with his memory. His record is remembering the names of 644 people in a room.

minster Bank, and, for the last four years, at Lederle. "In a corporation, it's the games we play," he said. "It helps if you can say, 'Oh, how's everything at IBM, Mike?'"

Felton Richardson, the Lederle personnel manager, has 83 departments and 10,000 people to worry about. "We don't want our people to think we don't know who they are," he said. "We can say, 'We know you, Mike.'"

The memory course is one of the pharmaceutical company's most popular worker

Mr. Keith asked if anyone had used what had been learned at the seminar the previous week. Victor Smith had practiced remembering names at a wedding Friday. "Did you feel better about yourself?" said Mr. Keith.

"I did," said Mr. Smith.

Eva Niemura said the course gave her confidence to go on a diet. "Good!" said Mr. Keith. "The bottom line is confidence!"

He taught them how to associate a feature of a person's face with the person's name. One by one, all the seminar members stood and had their faces studied by the others. When it was Maria Manuel's turn, Vivian Doelling said: "When I think of Manuel, I think of Christmas. Can I just think of a Christmas tree coming out of her head?" Mr. Keith said that was perfectly all right. "Let's give her a good hand," he said. "It's tough here."

After three hours, when the seminar was nearly over, Mr. Keith said, "Does everyone feel they have a better understanding of everyone's name?" They knew just what he meant. He said their homework was practicing their new skill. "Be prepared," he warned, "people will think you're a genius." He finished by saying that remembering names was best for everybody concerned. "The person you remembered feels good, you feel good, hopefully your boss will feel good."

Next week they're doing numbers. "Numbers are so important," Mr. Keith said. "Stock quotations, formulas — you have to remember numbers to sign on your computer, global commands."

When Mr. Smith completes Mr. Keith's four-week memory course, he hopes to take another company seminar this fall, in stress management. He's tried to get in several times, but it's always full. Stress is even bigger than name-dropping.



# A Spy Disappoints the Penal System in Sweden by Escaping

By Steve Lohr  
New York Times Service

**STOCKHOLM** — The escape last week of Sweden's best-known spy and the laxity it brought to light have prompted an angry public reaction here and spurred the government to order a review of the nation's lenient penal system.

The spy, Stig Bergling, a former officer in the Swedish intelligence service, slipped away on Oct. 5 after the police left him unguarded during a visit to his wife's apartment outside Stockholm. He is still at large.

Mr. Bergling, 50, was found guilty eight years ago of selling state secrets to the Soviet Union from 1973 to 1977 and was sentenced to life in prison.

Prime Minister Ingvar Carlsson has called the escape "extremely serious" and has ordered a top-level investigation into the affair, saying it pointed out significant flaws in police operations and the penal system.

The Bergling affair is another setback for Sweden's longstanding reputation as a nation of thoroughness and efficiency. In particular, it is an embarrassment for the Swedish police and security forces, who have still not solved the assassination of Prime Minister Olof Palme in February 1986.

Stoppiness and bureaucratic inefficiency made Mr.

Bergling's escape possible. He fled while on conjugal leave with his wife at her apartment in Rinkeby, a Stockholm suburb.

A prison guard escorted Mr. Bergling to the apartment at 10 P.M., then checked into a nearby hotel and did not return until 9 A.M., to find the couple gone. Because of a bureaucratic mix-up, there was a delay of 10 more hours before a national police alert was issued and the border authorities were notified.

Prison officials said later that they thought the Swedish security police were responsible for watching the apartment at night. The security police were watching Mr. Bergling while he was on leave, but the surveillance was not constant.

"The issue is not just one of competence, but it's policy, too," said Carl Bildt, a leading conservative and head of the opposition Moderate Party. "We should not be granting these leaves to serious criminals. Bergling is a spy, and he practically walked away."

The pursuit of Mr. Bergling has turned up three cars rented by his wife, two picked up in Sweden and one outside Helsinki. "We're still not certain whether the trail of rental cars was left to mislead us or they are a chain in the path of flight east," said Leif Hallberg, chief spokesman for the National Swedish Police Board.

Mr. Bildt and some other opposition politicians say that the justice minister, Sten Wickbom, should be held responsible for the Bergling escape, and that the prime minister should ask for his resignation. So far, Mr. Carlsson has resisted that course, arguing that removing Mr. Wickbom would not resolve any shortcomings in the police or penal system.

It was not clear whether Mr. Bergling still represented a security risk. In the 1970s, his tips to Moscow apparently allowed Soviet bloc spies, seeking computer and military technology, to evade detection in Sweden.

By the early 1980s, however, Sweden had revamped its security network, changing personnel and operations. In the last five years, Sweden has detected and expelled about a dozen East bloc spies, most of them operating as diplomats stationed in the country.

But Swedish military experts say that Mr. Bergling also compromised military installations, presumably artillery emplacements and radar stations along its coast. They say relocating these installations will be expensive, costing more than \$50 million in a program that extends into the 1990s.

The escape has subjected the Swedish penal system to heavy criticism for the lenient treatment it accorded Mr. Bergling. He was granted the conjugal visits and received a \$9,000-a-year medical pension for what was called the "strains of prison life."

He also was permitted to change his name to Eugene Sandberg, taking the surname of his wife, Elisabeth, as part of his rehabilitation process.

In Sweden, a life prison sentence, given only to murderers or spies, usually lasts 14 or 15 years, after which the convict often is paroled. Mr. Bergling had served eight years, so he probably would have been in prison for only a few more years.

Sweden's system of leaves for even serious criminals goes back more than 40 years, based on the nation's humanitarian tradition and the belief that such leaves allow a slow readjustment to normal life.

There have been other notable escapes by prisoners on leave. Last year, a theater group of prisoners who were to give a public performance of "Waiting for Godot" in Goteborg never showed up. The audience waited for more than an hour before being told the prisoners had escaped.

The Swedish system of leaves is generally considered effective, even though it places a large measure of trust in the prisoners. Although extending that trust to a convicted traitor seems contradictory, Mr. Bergling's warden was clearly surprised by his flight.

"I would really like to look into his eyes after this," said Gunilla Arnerdal, the warden at Norrtipping prison. "After all we had done for him, he has made us very disappointed."

## WORLD BRIEFS

### Pills, Tranquilizers Killed Barschel

**GENEVA (Reuters)** — The West German politician Uwe Barschel, whose body was found in the bathtub of a Geneva hotel Sunday, died from sleeping pills and tranquilizers, the Geneva police said Wednesday. But they said they had not determined whether Mr. Barschel, who was state premier of Schleswig-Holstein until he resigned Sept. 25, committed suicide. "The medical report is that in Barschel's stomach there were five medical products; they were sleeping pills and tranquilizers," a police spokesman said in announcing the results of an autopsy. "These medications caused his death."

He added: "The conclusions of the coroner are that there were no signs of violence on the body or in the mouth of Mr. Barschel." A scandal of violence on the body or in the mouth of Mr. Barschel broke in West Germany last month, involving allegations that "dirty tricks" were used in a state election campaign.

### Taiwan Lifts Ban on Mainland Travel

**TAIPEI (Reuters)** — The governing Nationalist Party announced Wednesday that Taiwan residents would be allowed to visit relatives on the China mainland.

A party statement said the 38-year ban on travel to China would be lifted for humanitarian reasons, but he said the party was still determined to recover the mainland, which it left after losing the civil war to the Communists in 1949. Even so, easing the travel restrictions is a major shift in the Nationalists' "three no" policy — no contact, no negotiations and no compromise with China.

The announcement, which followed a meeting of the ruling Kuomintang or Nationalist Party, specified that only Chinese mainlanders living on Taiwan with close relatives in China would be allowed to go. Still banned are serving soldiers and civil servants.

### Israel Said to Break Terrorist Network

**TEL AVIV (Reuters)** — Israeli security forces have broken a major guerrilla network of the Islamic Jihad movement in the Israeli-occupied Gaza Strip and arrested at least 50 suspects, security officials said on Wednesday.

They said a shoot-out in Gaza last week in which four Islamic Jihad fighters and an Israeli undercover security agent were killed led investigators to discover a big underground weapons arsenal in the Shajaya district of Gaza and to make dozens of arrests.

The guerrillas are suspected of numerous attacks and acts of sabotage in the Gaza Strip in recent months, the officials said. They said the Islamic Jihad movement in Gaza was not connected to the shadowy Beirut organization of the same name that is holding several Western hostages. An army spokeswoman said she could not confirm the report.

### 4 Are Killed by Gunman in England

**BRISTOL, England (AP)** — A gunman ran amok in this western English city on Wednesday, killing four persons, the police said.

A man wielding a shotgun burst into the computer room of a clothing factory, tried to grab a woman and then opened fire indiscriminately, fatally wounding two men, according to witnesses and the police.

The police arrested a suspect about 10 miles (16 kilometers) away, and officers then went to a house in the city's Redfield district, where the bodies of two women were found together in a bathroom. The suspect, identified as Kevin Weaver, 24, was being questioned about all four deaths, the police said. Press reports said his former girlfriend worked at the factory.

### Brock Will Head Dole's Campaign

**WASHINGTON (WP)** — Labor Secretary William E. Brock will resign his cabinet post Thursday to head the presidential campaign of the Senate Republican Leader, Bob Dole, officials said Wednesday.

Mr. Brock will bring to the Dole campaign a reputation as an organizer and strategist. Mr. Brock's roots are in the South, where Mr. Dole's organization is considered weakest.

In the 1960s, Mr. Brock helped build a strong Republican Party in his home state of Tennessee, which he has represented in the House and Senate. He served as chairman of the Republican National Committee from 1977 to 1981, helping to restore financial and political vitality to the Republican Party after the Watergate scandal. A source said Mr. Brock would probably stay on in his cabinet post until November.

### Zaccaro Acquitted on Bribery Charge

**NEW YORK (AP)** — John A. Zaccaro, husband of the 1984 Democratic vice presidential candidate, Geraldine A. Ferraro, was found not guilty Wednesday by a jury of charges of bribery and extortion.

Mr. Zaccaro had been charged with scheming with the former Queens Borough president, Donald R. Manes, to solicit a bribe of \$1 million from Cablevision Systems Corp. in return for a contract to wire the borough. Mr. Manes, since implicated in unrelated corruption cases, killed himself in March 1986.

### Israel Gives Up 2 Hills in Lebanon

**BEIRUT (NYT)** — Israeli troops and their Lebanese Christian surrogates have withdrawn from two strategic positions in southern Lebanon in the first move of its kind since Israel pulled the bulk of its army from the area more than two years ago.

Tanks, armored personnel carriers and artillery pieces belonging to the Israeli forces and the South Lebanon Army rolled out of Al Hukban and Birki, two hills that overlook three villages where a main part of the United Nations peacekeeping force is stationed. The positions were taken over by the Lebanese contingent of the UN force.

Al Hukban and Birki lie at the approaches of the Israeli-designated "security zone" and were occasionally the scene of battles between South Lebanon Army militiamen and Iran-backed Shiite Muslim guerrillas.

### For the Record

More than 600 U.S. advocates of homosexual rights pushed past police barricades in Washington and were arrested on the steps of the Supreme Court building on Tuesday during a protest against discrimination based on sexual preference. Demonstrations at the courthouse are prohibited by federal law.

A Chilean armed forces judge has refused to reopen investigations into the 1976 murder in Washington of Orlando Letelier, a former diplomat and leading opponent of the military government in Chile. The United States has sought the extradition of two former chiefs of the Chilean secret police for the murder.

The East German leader, Erich Honecker, met with Prime Minister Wilfried Martens of Belgium on Wednesday in Brussels for talks on improving economic ties and East-West relations.

## TRAVEL UPDATE

### Flights Set From New London Airport

**PARIS (Reuters)** — A British airline flew the first passengers to Paris on Wednesday from a new airport that was built among abandoned wharves near London's financial center to give European businessmen easy access to the district.

London City Airport, to open for fare-paying passengers on Oct. 26, is six miles (about 10 kilometers) from London's business center, which is known as the City. Heathrow Airport is 16 miles from the area and Gatwick is 23 miles away. Brynmor Airways has designed its weekday service specifically for businessmen, with round-trip fares of £200 (\$320).

Autonomous labor unions controlling British airline pilots, flight attendants and cabin staff postponed on Wednesday a 24-hour strike, scheduled to begin Friday, until Oct. 26.

American Airlines will begin nonstop service Nov. 1 between both Toronto and Montreal and San Juan, Puerto Rico, the airline has announced.

### Romania Is Accused on Emigration

**WASHINGTON** — Israel paid millions of dollars to the Romanian government over several decades to permit emigration of Jews, according to a senior Romanian intelligence official who defected in 1978.

There had been earlier reports of the payments but the former Romanian official provided fresh details.

Yossi Gal, a spokesman for the Israeli Embassy in Washington, said he had never heard of such an operation.

## Thousands in Baghdad Mourn Missile Victims

**BAGHDAD** — Thousands of people, some calling for vengeance, took part in a funeral on Wednesday, marching by the ruins of the Baghdad school that was hit by an Iranian missile that killed 36 persons the day before.

At least 30 of the dead were pupils at the school. Children from Baghdad and the suburbs joined the marchers carrying their coffins.

The ruling Ba'ath Party's newspaper, Al-Thawra, declared that "the hour for revenge has come." The newspaper called the Iranian missile strike a "great crime" that would not go unpunished.

At least three adults also died in the attack on Tuesday and more than 200 people were wounded, almost all of them pupils at the school, according to the latest casualty figures.

The Defense Ministry newspaper, Al-Qadisiyah, said the missile strike marked a decisive turning point in the Iran-Iraq war and termed it "criminal."

"It has given us complete legitimacy in the eyes of the world to use all that we have at hand in terms of lethal weapons to strike at every target we can reach," the newspaper said, "and there are no targets inside Iran that we cannot reach."

Iran also shelled the southern Iraqi port city of Basra and three or four border towns on Tuesday night, killing eight civilians and wounding 36, the Iraqi News Agency reported.

In the southern Gulf, meanwhile, an Iranian gunboat attacked the Liberian-flagged tanker Atlantic Peace with machine-gun fire but

shipping sources said there were neither casualties nor any significant damage to the ship.

Two mines found about nine miles (15 kilometers) from the Fujairah port breakwater, off the Oman Sea coast of the United Arab Emirates, were blown up by the British Navy on Wednesday.

The four British minesweepers working in and near the Gulf may get help soon from a specially rigged remote-control supply boat towing sonar devices.

Shipping sources said the navy had received bids in London from Gulf-based companies to provide the vessel, which would sail ahead of the minelayers in particularly dangerous waters.

**Yemen-Oman Clashes**  
Diplomats said border clashes between South Yemen and Oman on Sunday had left at least 10 soldiers dead, United Press International reported Wednesday from Manama, Bahrain.

A source in Muscat, Oman, played down the fighting. "It was a clash between two border patrols due to a misunderstanding," the source said, "and there is no change at all" between the two countries.

Diplomatic sources said eight South Yemeni soldiers died in the clashes in Dhofra Province in southwestern Oman.

The fighting started when a Yemeni patrol was spotted in Omani territory. The Omanis first suspected the South Yemenis were on a sabotage mission. But the government in Aden insisted its soldiers had lost their way while patrolling the border.



**POUNDS OF LEBANESE POUNDS** — A Beirut businessman needed a big pile of cash to pay for an airplane ticket Wednesday. The pound has lost 78 percent of its value to the U.S. dollar since January. Inflation is now estimated to be running at 310 percent.

## U.S. House Panel Backs Gulf Escort Fees

**WASHINGTON** — The House Merchant Marine and Fisheries Committee voted Wednesday to impose heavy "user fees" on oil tankers protected by U.S. naval escorts in the Gulf.

The measure, a money-saving move to meet a \$94 million savings requirement imposed on the panel by the House Budget Committee, was approved 32-7.

The bill would raise an estimated \$95 million annually by charging at least \$250,000 per voyage through the Gulf. Vessels would be charged either \$250,000 per voyage or the

actual cost of the services, whichever is higher.

Supporters of the bill said the proposal was the only practical way to meet the budget target and avoid imposing Coast Guard user fees on U.S. vessels in domestic waters.

The supporters were led by the committee chairman, Walter B. Jones, Democrat of North Carolina, and Robert W. Davis, Republican of Michigan, his party's ranking committee member.

But a small group of Republicans and Democrats said the proposal improperly meddles in a sensitive area of foreign affairs.

"Our military is not for sale around the world," said Douglas H. Bosco, Democrat of California.

Norman D. Shumway, Republican of California, warned that the legislation would undercut the Reagan administration's Gulf policies and send a message that the United States will fight for freedom of navigation, "only if someone picks up the tab."

The administration was not consulted on the measure, but lawmakers expected strong opposition when it was debated in the full House of Representatives.

When Mr. Begun and other prominent Jewish activists received permission to leave last month, Mr. Slepak said he viewed their exit visas as a "gift" by Moscow ahead of talks in Washington between Secretary of State George P. Shultz and Foreign Minister Eduard Shevardnadze.

Mr. Shultz and Mr. Shevardnadze are due to meet again in Moscow next week to put the final touches to a pact eliminating intermediate-range nuclear missiles ahead of a third U.S.-Soviet summit in the United States later this year.

Repeatedly harassed by police during street actions in the early 1970s, Mr. Slepak joined the Helsinki Watch group set up to monitor Soviet compliance with the Helsinki accords in 1975.

On June 1, 1978, a year after their elder son married an American woman and emigrated to Israel, Mr. Slepak and his wife hung a banner from the balcony of their Gorky Street apartment proclaiming: "Let us join our son in Israel."

He was sentenced to five years' exile in Tsakto-Khangli, near the Mongolian border. His wife, who was ill with ulcers, received a suspended sentence.

The Slepaks staged a 17-day hunger strike in April this year to protest against their 17-year wait for exit visas.

### No Agreement Reached On Nakasone Successor

**TOKYO** — The three contenders for prime minister held more talks Wednesday but failed to agree who should succeed Prime Minister Yasuhiro Nakasone, an aide said.

The contenders are Finance Minister Kiuchi Miyazawa, former Foreign Minister Shintaro Abe and former Finance Minister Noboru Takeshita.

Political analysts said it is becoming more likely that because of the continuing inability of the three to decide the issue, Mr. Nakasone's successor will be chosen by a vote of party legislators Tuesday.



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# Reagan Nominee Approved

## Verity Confirmed For Cabinet Post

**By Stuart Auerbach**  
*Washington Post Service*

WASHINGTON — Sen. William Verity Jr., President Ronald Reagan's nominee for commerce secretary, has won confirmation after the Senate overrode a filibuster threat by rightist Republicans led by Senator Jesse Helms of North Carolina.

Mr. Verity was confirmed Tuesday by the Senate, 84-11.

Mr. Helms, angry because Mr. Verity favors increased trade with Moscow, accused the nominee of "selling the Soviets the rope with which to hang the Free World."

The filibuster threat, which had held up consideration of the Verity nomination for four weeks, was ended when the Senate voted 85-8 to end debate. The move received 25 more votes than needed, with all votes against shutting off debate coming from Republicans.

On the final confirmation vote, four Democrats — Dennis DeConcini of Arizona, Alan J. Dixon of Illinois, William Proxmire of Wisconsin and Harry M. Reid of Nevada — joined seven Republicans in opposing Mr. Verity.

Mr. Verity, 70, is the retired chairman of Arco Inc., the steel-making company that his grandfather founded in 1900. He was Mr. Reagan's choice to replace Malcolm Baldrige, who died in a horse-riding accident in July.

Mr. Verity was attacked from the start for his long-held and widely stated support of increased trade with Moscow. He has served as co-chairman of the U.S.-U.S.S.R. Trade and Economic Council and has been an outspoken critic of restrictions on trade with Moscow to achieve foreign policy goals.

Mr. Verity said such restrictions, imposed by Jimmy Carter and Mr. Reagan, hurt American business without accomplishing U.S. aims.

He also has criticized tying increased emigration of Soviet Jews to relaxation of trade barriers.

While Mr. Reagan knew of these views before naming Mr. Verity, conservative Republicans seized upon them to oppose his confirmation. But the Senate Commerce Committee supported his confirmation by a 7-1 vote.

Senator Alfonse M. D'Amato, Republican of New York, annoyed because Mr. Verity opposes linking trade to emigration, said the nominee "fails the test" over respect for human rights.

"He does not seem to believe in the primacy of human rights," Mr. D'Amato said. "He believes in profits."

He added that Mr. Verity's confirmation "would send the Soviets the signal that the United States is willing to compromise on issues of international human rights."

Senator Helms accused Mr. Verity of threatening national security by supporting increased trade with Moscow. He said "businessmen like him" helped the Soviet military by their willingness to sell sophisticated technology to Moscow.

The chairman of the Commerce Committee, Ernest F. Hollings, Democrat of South Carolina, and he committee's ranking Republican, John C. Danforth of Missouri, supported Mr. Verity's confirmation.

Mr. Hollings, taking the lead in the floor debate, said Mr. Verity had promised the committee that he would support Reagan administration policies on trade with the Soviet Union, including maintaining the link between trade and emigration of Soviet Jews.

Mr. Verity, moreover, told the committee that he supports controlling the sale of sophisticated technology to the Soviet Union. But Mr. Verity, as did Mr. Baldrige, believes that the degree of controls favored by the Pentagon are so stringent that they hurt the U.S. economy without affecting the Russians, who can buy the technology elsewhere.

# Los Angeles Schools to Go to Year-Round Schedule

**By Jay Mathews**  
*Washington Post Service*

LOS ANGELES — The Los Angeles city board of education, responding to a flood of immigrant children, has voted to put all its schools on a year-round schedule. The action effectively doubles the number of year-round classes in the United States and reflects a growing education crisis in much of the urban West.

The 4-3 vote Monday night after hours of impassioned debate and years of political foot-dragging, will make Los Angeles the largest year-round school district in the United States when the plan takes effect in July 1989.

Supporters say the district will become a giant laboratory to test growing interest in the year-round system as a way to relieve crowding to help learning. Educators said Los Angeles would be watched by officials at school systems throughout the nation.

Many parents and students, particularly in the more affluent neighborhoods of the San Fernando Valley, are opposed. The valley is one of the few places in the city without crowded schools. Many parents there have threatened to put their children into private schools if the new system cuts into plans for summer camp or long summer trips.

But supporters, many from Hispanic and black inner-city areas, contend that year-round schedules are the only economically practical way to cope with a continuing

influx of new students into schools that are already strained beyond capacity.

Although the exact year-round schedule has not been determined, school officials have suggested that each student would take a one-month vacation — in August, December and April — at the end of three three-month semesters.

The three-month summer vacation would be abolished, although a school spokesman said a compromise summer vacation longer than one month was still possible.

The Los Angeles decision does not necessarily increase the number of school days, but it is expected to save money on new construction and allow more efficient use of existing school buildings.

With one-quarter of its students having attended schools on a 12-month schedule for several years, Los Angeles, the second-largest school system in the United States, was already at the forefront of the slow move toward year-round schooling.

"It's not fair," said Harlette Braxton, 16, a junior at James Monroe High School in the valley community of Sepulveda. "You might want a job in the summer, but who's going to hire you for four weeks? It's stupid."

Roberta Weintraub, a school board member representing part of the San Fernando Valley, said: "You put schools year-round on a single track and you won't have to worry about overcrowding. There's going to be a massive pollutant starting today."

Critics were particularly angered to discover that district executives were pushing the plan despite a sharp drop in the growth rate of the student population this fall. Only 2,000 of an expected 12,000 new students showed up in September, but school officials wrote this off as a temporary lull.

They said they thought the new federal immigration law had made undocumented aliens afraid to register their children.

Officials said they expected total enrollment, now about 600,000, to reach more than 700,000 in 1996. Without a year-round system, the district would have to build nine new elementary schools, one new junior high and one new high school every year to keep pace, the officials said.

"People are gradually beginning to realize that it does not make sense to keep kids away from formal education for three months every year," said Charles E. Ballinger, executive secretary of the National Association for Year-Round Education, and an official of the San Diego school system.

"Those of us in year-round education believe educators simply cannot justify that long three-month summer vacation anymore," he said. "The nine-month schedule was never designed for education in the first place. It's a 19th century agricultural-economic schedule."

# Bomb at U.S. Consulate In Barcelona Injures 8

**Compiled by Our Staff From Dispatches**

BARCELONA — A bomb exploded Wednesday outside the door to the U.S. Consulate here, slightly injuring eight persons, including two consular employees, U.S. officials said.

Bob Meade, a U.S. Embassy spokesman in Madrid, said all of the injured were Spanish nationals.

Mr. Meade said the blast knocked out the telephone switchboard at the consulate in the eight-story building.

He said a parcel placed outside the fourth-floor elevator exploded at about 1 P.M., blowing off in the main door to the consulate.

"The area has been secured," Mr. Meade said. "There is no fire."

No one immediately claimed responsibility for the attack.

Barcelona, Spain's second-largest city, has been a target for bomb attacks by Basque and Catalan separatist guerrillas this year.

In earlier attacks on U.S. interests in Barcelona, Spanish guerrillas set off bombs outside the offices of the General Electric and Hewlett-Packard companies in the spring, causing no injuries.

The first attack was blamed on the Catalan group, Terra Llura, or Free Land, and the second on the Basque organization ETA.

ETA is the Basque language acronym for Basque Homeland and Liberty.

The worst anti-U.S. attack in Spain occurred in 1985 when 18 persons were killed in a bomb explosion at the El Descanso restaurant, frequented by U.S. servicemen near the Torrejon air base near Madrid.

(AP, Reuters, AFP)



SCAVENGERS — Looters in Miami Beach, Florida, helped themselves to television sets from cargo containers that washed ashore from a freighter following a hurricane designated Floyd that pounded southern Florida on Monday. Police officers stood by as about 400 people made off with appliances and toys that had been bound for Central America.

# Poland's Economy: The Risks of Change

**By John Tagliabue**  
*New York Times Service*

WARSAW — At a time of considerable economic and political uncertainty, Poland's leadership has thrown its weight behind an ambitious program of economic change that bears broad political risks for the regime of General Wojciech Jaruzelski.

The linchpin of the program is a major overhaul of Poland's centralized wage and price system that could lead, despite government efforts to soften the shock, to the kind of sharp price increases that prompted labor violence in the past.

Few Poles forget that Wladyslaw Gomułka, then the Polish leader, fell over price increases at Christmas 1970, or that price rises in 1976, to offset rising oil prices and dwindling trade in the West, ignited the strikes and unrest that toppled Edward Gierek, Mr. Gomułka's successor, and culminated in 1981 in military rule.

Polish economic planners have long been torn between what some have described as the Soviet and Hungarian models.

On the one hand, there is the tug of centralized planning for huge state-run industries; on the other hand, there is the model introduced by the Hungarian leader, Janos Kardar, in 1968, entailing a large measure of privatization to create a dynamic call within the economy based on individual initiative.

General Jaruzelski's planners, encouraged by change in the Soviet Union under Mikhail S. Gorbachev, have clearly cast their lot with Hungarian innovation.

"Soviet *perestroika* has become a symbol here," Prime Minister Zbigniew Messner said, citing the Russian word for restructuring that has become a rallying cry for Soviet change.

The problems facing the Polish economy are those common to many East bloc economies. But they are deeper in Poland, and aggravated by the fact that the country's labor force is more cantankerous than its counterparts in East Germany or Czechoslovakia.

The list of deficits is long: lack of raw materials, shoddy quality, shortages of capital, abundant inflation and the absence of dynamic new industries to close the technological gap with the West and replace uneconomical jobs in smoke-stack industries such as steel and shipbuilding.

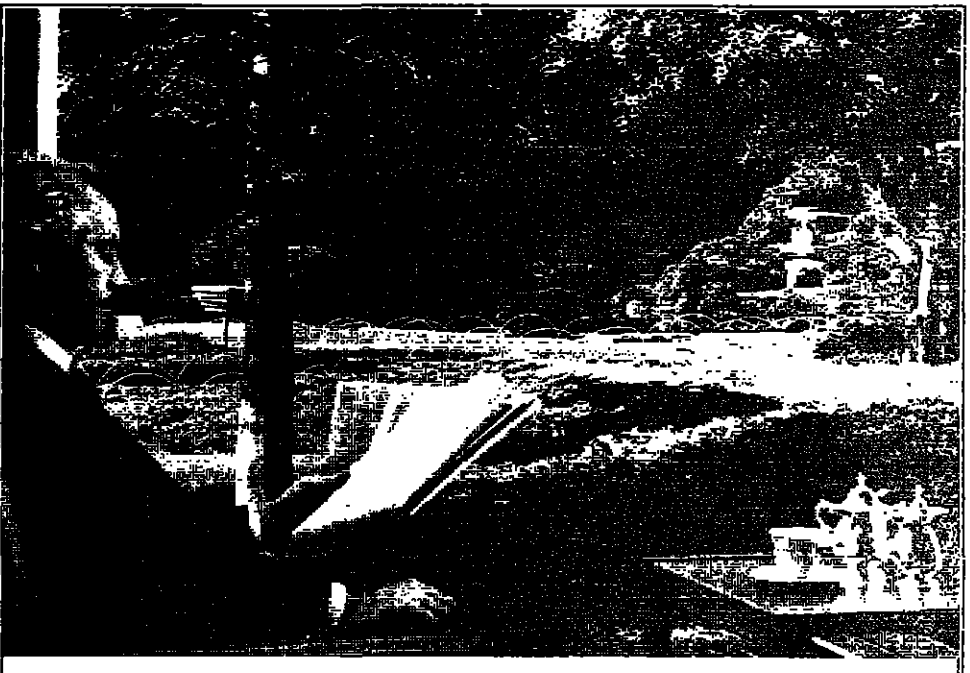
Add to that the burden of a \$35 billion debt to Western lenders, the largest in the East bloc, and the full thrust of forces that have pushed the Polish standard of living near the bottom of the East bloc, with the exception of Romania, becomes clear.

To meet the problems of shoddy

goods and the prices now charged. In that regard, the government will again follow the Hungarian model in slashing immense state subsidies that keep prices for things like housing and public transportation unrealistically low.

But it is here, too, that the greatest risks of renewed labor unrest lie. The most effective means of diminishing the threat of unrest, by involving leaders of the Solidarity trade union, has not worked.

The key question then remains just how far the party intends to go in surrendering decision-making prerogatives to private businessmen and managers of the state-run concerns, without which economic success is considered unlikely.



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# State Urges Long Sentence for Goetz

**By Kirk Johnson**  
*New York Times Service*

NEW YORK — Bernhard H. Goetz, who was exonerated in June in the shooting of four youths on a Manhattan subway train, should receive a "substantial prison sentence" for illegally carrying the gun he used, the Manhattan district attorney's office has recommended.

At his trial, his defense argued that Mr. Goetz shot the four youths, all of whom had criminal records, because he feared for his safety when they crowded around him and tried to rob him.

The recommendation, made in court papers filed Tuesday night, was the first public pronouncement by the state as to what penalty it would seek for Mr. Goetz, a 39-year-old electrical engineer who has no prior criminal record.

The papers also say that Mr. Goetz "suffers from longstanding emotional disorders" and that if the court does not order him imprisoned, then it should order the "appropriate treatment."

Mr. Goetz, whose case sparked a nationwide debate on self-defense and the right to bear arms,

faces a maximum of seven years in prison on the gun conviction when he is sentenced Monday by Acting Justice Stephen G. Crane in State Supreme Court in Manhattan.

Under state law, a sentence of at least one year is obligatory for a felony gun conviction, except under some circumstances.

Mr. Goetz's lawyer, Barry I. Slotnick, reacted angrily to the memorandum.

"There appears to be a continued conspiracy by the district attorney of New York County to defame Bernhard Goetz in any manner that it can," Mr. Slotnick said.

Mr. Slotnick has previously argued that the gun possession conviction should be dismissed in light of Mr. Goetz's past record. Mr. Goetz has said he unsuccessfully sought a legal gun permit after he was badly beaten in a mugging by several youths in 1981.

Although the district attorney has repeatedly urged a prison sentence for Mr. Goetz, the memo also said that the "threat" posed by the defendant might also be relieved by an "indefinite" period of psychological treatment.

# Walter H. Brattain, Physicist, Dies

**The Associated Press**

SEATTLE — Walter H. Brattain, 85, who shared the 1952 Nobel Prize in Physics for inventing the transistor, died Tuesday at a nursing home in Seattle.

Born in Amoy, China, where his father was a teacher at a Chinese institute for boys, Dr. Brattain was reared in Washington state, where he earned a bachelor's degree from Whitman College in Walla Walla in 1924. He obtained a master's degree from the University of Oregon and a doctorate at the University of Minnesota.

He worked at Bell from 1929 to 1967. He also lectured in physics at Harvard and the universities of Minnesota and Washington and re-

ceiving several honorary doctor of science degrees, including one from Whitman.

**Soviet Aide Home From U.S.**  
*United Press International*

MOSCOW — Viktor P. Nikonov, a member of the ruling Communist Party Politburo who is in charge of agriculture, returned Wednesday from the United States after a nine-day visit during which he toured farms in Iowa and met President Ronald Reagan.

# Opened Computer Era

**New York Times Service**

With Dr. John Bardeen and Dr. William B. Shockley, Dr. Brattain invented the transistor Dec. 23, 1947, at the American Telephone and Telegraph Co.'s Bell Laboratories in Murray Hill, New Jersey.

The electronics industry has been shaped by the invention, a tiny chip of processed crystal that made the computer possible by enabling miniaturization of electronic equipment.

His first commercial use was in telephone-switching equipment in Englewood, New Jersey, in 1952.

Born in Amoy, China, where his father was a teacher at a Chinese institute for boys, Dr. Brattain was reared in Washington state, where he earned a bachelor's degree from Whitman College in Walla Walla in 1924. He obtained a master's degree from the University of Oregon and a doctorate at the University of Minnesota.

He worked at Bell from 1929 to 1967. He also lectured in physics at Harvard and the universities of Minnesota and Washington and re-

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## Wright Says Arias Prize Stalls U.S. Contra Aid

By Neil A. Lewis  
New York Times Service

WASHINGTON — Representative Jim Wright, the House speaker, said Tuesday that the awarding of the Nobel Peace Prize to President Oscar Arias Sánchez of Costa Rica on Tuesday ensured that Congress would not approve the Reagan administration's request for new aid for the Nicaraguan rebels.

"I can't conceive of providing any military aid in a time of peace," said Mr. Wright, a Texas Democrat.

He said it was his view that the Reagan administration's proposal to provide \$270 million in new aid for the rebels, known as contras, probably was destined to fail anyway. But, he added, the symbolism of the award to Mr. Arias meant that "there will be no support for the contras at this time."

Nonetheless, Secretary of State George P. Shultz told the House Foreign Affairs Committee later in the day that President Ronald Reagan will demand that Congress provide new aid to the contras before Thanksgiving, Nov. 26.

Mr. Shultz argued that the aid would enhance the prospects of the agreement for which Mr. Arias was awarded the Nobel Peace Prize. The \$270 million, he said, was "necessary to support the agreement and ensure that it endures."

At the same time, some Republicans grumbled about the award to Mr. Arias. Representative Robert H. Michel, of Illinois, the House Republican leader, complained that it remained to be seen whether the Arias plan would bring peace to Nicaragua.

"The award may be premature," said Mr. Michel, who has often spoken for the Reagan administration on the issue of Nicaragua.

Representative Newt Gingrich, Republican of Georgia, compared the situation to 1973, when the prize was awarded to Henry A. Kissinger, then the U.S. secretary of state, and Le Duc Tho of North Vietnam, for negotiating what was supposed to be an end to the Vietnam War.

"This is the same committee that gave the award to Le Duc Tho two years before he turned South Vietnam into a Communist prison," Mr. Gingrich said.

Under the administration plan for aid to the contras, the money would be available for both military and nonmilitary uses.



Police in Bogotá firing tear gas at demonstrators protesting the killing of a leftist leader.

## Oil Firm Halting Sales to Pretoria Over Racial Policy

United Press International

HAMILTON, Bermuda — Transworld Oil Ltd., one of the world's largest oil-trading companies, will stop selling oil to South Africa because of Pretoria's racial policies, the Royal Gazette newspaper reported Wednesday.

"The change we had hoped for has not come about," John Dens, the company's owner, told the paper. "We don't believe in sanctions," he said. "They will not work. But that does not mean we have to continue trading with South Africa."

Transworld Oil is the principal company in a multibillion-dollar oil-trading group with headquarters in Hamilton and the Netherlands and offices in 10 countries.

**Bomb Explosion**  
Police said a bomb exploded Wednesday in the town of Empangeni in South Africa's Natal Province, injuring three people. Reuters reported from Durban.

## REBELS: Sri Lanka's Lines Blur

(Continued from Page 1)

The militants who had fallen out with the Tigers were hiding in Hindu temples in the largely Sinhalese city of Colombo, where they feel safer than in the north.

The majority of Tamils are Hindus, and the Sinhalese are mostly Buddhists. But this is not a religious conflict; there are Christians in both groups.

In Sri Lanka, sympathy has strengthened among Tamils for the rebels in areas where they are fighting, to the consternation of the Indians.

Several cabinet ministers, among them officials who once advocated a more conciliatory attitude toward the Tamils here, are now critical of the Indian-Sri Lanka accord of July that brought the Indian peace-keeping force to Sri Lanka.

Around the country there have been assassinations, thought to be by a radical Sinhalese nationalist group, of Sinhalese local government officials who openly supported the accord.

At the same time, President Junius R. Jayawardene, whom Indians not long ago said they found difficult and unpredictable to deal with, has suddenly become a public defender of New Delhi's policies and its troops.

For the Liberation Tigers and their leader, Velupillai Prabhakaran, the world has turned upside down several times this year. A few weeks ago, his Tigers were promised control of a new governing council for northeastern Sri Lanka.

But then he overplayed his hand, apparently ordering his guerrillas to drive ethnic Sinhalese from their homes in territory he hoped to control in the Eastern Province. The violence that followed left more than 200 Sinhalese dead and villages in ashes.

## A Dutch Town Is 'Bombed'

Reuters

THE HAGUE — A Dutch NF-5 fighter accidentally dropped a practice bomb on Delden, a small town in the eastern Netherlands, during a military exercise Wednesday, but caused no serious harm, a Defense Ministry official said.

## Violence Marks Bogotá Leftist's Funeral

Compiled by Our Staff From Dispatches

BOGOTÁ — Sporadic violence broke out Tuesday night and early Wednesday as tens of thousands of mourners passed through the streets of the Colombian capital in a funeral procession for Jaime Pardo Leal, a leftist leader killed by gunmen Sunday.

Nine people have died in Bogotá since Mr. Pardo was ambushed on a mountain road 50 miles (80 kilometers) west of the capital. The authorities have ordered strict security measures, including a two-day ban on liquor sales, to prevent trouble.

On Tuesday, youths broke windows, looted shops and clashed with the police during a procession in central Bogotá. Offices and shops were closed in a one-day strike called by Colombia's main trade union organization.

In Barrancabermeja, in central Colombia, one youth was killed and another wounded in clashes Tuesday, police said.

In the capital, no major incidents were reported. Mayor Julio Cesar

Sanchez said members of Mr. Pardo's leftist Patriotic Union political party had helped maintain order.

The murder of Mr. Pardo, who won 500,000 votes in last year's presidential elections, is another in a series of political assassinations in Colombia over the past few months.

The Patriotic Union, set up by the Communist Party, and the biggest guerrilla group, the Revolutionary Armed Forces of Colombia, said 460 members or sympathizers have been killed since it was created in 1985.

As presidential candidate of the Patriotic Union, Mr. Pardo, 47, helped to lead Colombia's largest guerrilla group out of the mountains and into the electoral process. The party is tied to Revolutionary Armed Forces, and security forces were on full alert during Tuesday's funeral for a retaliatory blow by the guerrillas.

President Virgilio Barco has blamed Mr. Pardo's death on "enemies of peace and democracy." The government has appointed a special prosecutor to take charge of the case.

There are no suspects in custody, but the assumption is that Mr. Pardo was shot down by paid killers working for opponents of the plan to open Colombia's tightly controlled two-party system to a third contender for political power. Although Mr. Pardo, a stocky attorney identified with leftist causes, received only 4.4 percent of the ballots when he ran for president last year, the Patriotic Union put 14 of its candidates in Congress and established itself as the most successful leftist party in Colombia's history. (W.P. Reuters)

## NOBEL: Physics Award

(Continued from Page 1)

prize, "in the discovery of superconductivity in ceramic materials."

Last year, the announcement said, the two "reported finding superconductivity in an oxide material" at a temperature 12 degrees centigrade (53 degrees Fahrenheit) higher than previously was known.

Scientists had been trying to raise that temperature for more than a decade in an attempt to make wider use of superconductivity, which is the ability of some materials to conduct electricity without losing current to resistance.

Standard superconductors are used now in limited high-tech applications because they must be chilled at temperatures well below 240 degrees below zero centigrade (400 degrees below zero Fahrenheit), an expensive process.

But the work of Mr. Bednorz and Mr. Mueller pointed the way to new materials that become superconducting at higher temperatures. Scientists hope that room-temperature superconductors eventually will be found.

Higher-temperature superconductors could open the door to faster computers, high-speed trains that float above their tracks and innovations in generation and transmission of electric power.

Superconductivity has a long Nobel prize history. It was discovered in 1911 by a Dutch physicist, Heike Kamerlingh Onnes, who received the prize in 1913.

"The work of this year's winners was the start of an avalanche," the awards committee said.

In contrast to the metal alloys used in standard superconductors, recent work is following the scientists' lead of using a combination of oxygen, copper, the element barium and a "rare earth," a misleading name for some common natural materials.

Each Nobel award carries a cash prize of 2.17 million kronor (\$340,000), which is divided if more than one laureate is named for each prize.

## FEE: A University Draws the Line

(Continued from Page 1)

The dispute between Columbia and Mr. Edelman arises as business schools are coming under increased criticism for turning out students who are more interested in getting high-paying jobs than in pursuing less lucrative but often more socially beneficial occupations.

Mr. Edelman's class is titled "Corporate Raiding: The Art of War." It is intended to teach students the methods used in a corporate takeover when a well-financed entrepreneur goes after the stock of a corporation the raider thinks is undervalued and vulnerable to a bid.

For Mr. Edelman, a well-known practitioner of this tactic, this was another episode in a career marked by highly visible battles. Mr. Edelman came on the takeover scene with a splash, going after such companies as Burlington Industries, Telex Corp., Foster Wheeler Corp. and others.

Not all have resulted in takeovers. Sometimes he benefits merely by holding onto his own stake in the company as it buys back shares or seeks a more friendly suitor. He operates out of a midtown New York office decorated with modern art and containing bustling trading rooms filled with eager young employees.

The class at Columbia was limited to 15 students, with 80 vying for the slots.

Columbia, like most top-ranked business schools, has often drawn upon businessmen to teach selective classes.

At the same time, the lines between business school faculties and the business world are often blurred.

Corporations open their doors to professors who write about them in cases that are then taught in class. Professors often supplement their income with consulting assignments with business and by maintaining strong ties to their students, who may rise to positions of power and fortune.

Recently, the University of Rochester in upstate New York was mired in a controversy over a

decision of its business school to rescind the enrollment of a student employed by the Fuji Photo Film Co. The school has close financial ties to the Eastman Kodak Co.

In Mr. Burton's view, Mr. Edelman's offer went too far. "There's a spectrum in why students are here," the dean said. "Students are here for a variety of reasons and few of them are purely academic. Our feeling is that the study of business is used by the students to get into positions that have the greatest impact on society."

Mr. Edelman made his offer in early September, during his second class. He told the students that their final examination would be to select a company that he could take over and make a presentation saying why. He added that, if the idea turned out to be one that he could use, he would give the student his standard finder's fee of \$100,000.

When news of the offer started to leak out, many at Columbia became upset.

Mr. Burton said that he met with the school's committee on instruction, which is an executive body made up of representatives of the various disciplines. The committee came out unanimously against it.

But in discussions last week, Mr. Edelman refused to yield ground. In fact, he said he would compromise by expanding the reward to all Columbia students and that he would match it — if awarded — with a \$100,000 grant to the school itself. He said he felt strongly that he did not want to go back on his word to his class.

But when presented with the alternative of having his class taken away from him, Mr. Edelman relented. On Tuesday, he and Mr. Burton appeared in the class and for about 20 minutes explained their differing views on the matter.

Mr. Edelman's students disagreed with Mr. Burton. In a straw poll, only one of the 14 students attending the class on Tuesday supported the dean's position.

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# LEAVING EXCELLENCE TO CHANCE WOULD BE FAR TOO FRIVOLOUS.

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# Herald International Tribune

Published With The New York Times and The Washington Post

## Prizing, Promoting Peace

Bernard Shaw once lamented that Nobel Prizes were like life preservers thrown long after the recipients had escaped drowning. That reproach surely doesn't apply to this year's Peace Prize. It honors, and furthers, the cause of peace in Central America.

It's perfectly true, as noted American conservatives complain, that Oslo is a long way from Central America. Doubtless the Nobel Committee of the Norwegian parliament knew it was taking a chance in bestowing the prize on President Oscar Arias Sánchez of Costa Rica. After all, the regional peace plan he put forward doesn't even go into effect until Nov. 7. Still, the committee's timing makes this award especially important.

The prize goes to the elected leader of an exemplary democracy whose citizens decided four decades ago to abolish their armed forces. Costa Ricans as a people have long since earned this prize. How much better if President Ronald Reagan had said as much, instead of his grudging three words for Mr. Arias, "I congratulate him."

As those cold words suggest, the new pact needs all the outside help it can muster. It calls for cease-fires, an end to all foreign support for insurgent forces, restoration of freedoms and democratic elections in five republics. But in Nicaragua, democrats charge that the Sandinistas already are evading promises to restore full civil rights. And in Washington, Mr. Reagan vows to press for continued aid to the contra rebels, which would give the Sandinistas a pretext for dishonoring, if that is their aim,

promises to democratize their government. Still, neither Managua nor Washington can ignore the plan's popularity in a region that so yearns for an end to civil wars and an economic rebirth. Acclaim for the plan, now enhanced by the Nobel Prize, exerts pressure on Nicaragua and blunts the campaign for renewed U.S. funding to the contras. Now Mr. Arias will have that splendid pulpit in Oslo to make his case—especially to European democracies, whose weight increasingly counts in Central America.

There remains the objection that the prize is premature or constitutes meddling by the Norwegian parliament. In 1973, the Vietnam War bled on despite the Nobel awards to Henry Kissinger and Le Duc Tho. In 1971, there were cries of foul in West Germany when Oslo bestowed its laurels on Chancellor Willy Brandt as his government was heading into elections.

Does this year's award fall into the same category? The reproach might have weight if the Norwegian parliament had tilted consistently eastward or leftward. That's not the case. Nobody in Washington carried on about timing or meddling when the prize went, over Soviet protests, to Andrei Sakharov in 1975, or to Lech Walesa of Poland, the leader of Solidarity, in 1983.

In those instances, too, the prize committee stuck its neck out, and in both cases advanced the cause of peace and freedom. Mr. Arias, his country and his peace plan deserve this prize.

—THE NEW YORK TIMES.

## Alf Landon, Statesman

Alf Landon's career as a practicing politician ended more than a half-century ago when he ran for president against Franklin Roosevelt and carried only Maine and Vermont. Given the situation in 1936, Mr. Landon might have been the only member of his party capable of winning even those states; two years earlier, running for a second term as governor of Kansas, he had been the sole Republican to win gubernatorial re-election.

In any event, he went back home. "We preferred the comparatively simple but more intelligent life of Kansas to Washington," he said, built himself an uncharacteristically grand house and resumed an active life as a businessman who had made a fair amount of money drilling oil wells.

That famous defeat might have been the end of him as a public figure, but it proved instead to be a beginning. Mr. Landon became something of an elder statesman of his party. That is a description often applied indiscriminately to a wide range of former office holders who have nothing to recommend them but their formerness, but in Mr. Landon's case it meant something, both to him and to the people who consulted him.

He was not a man for committees or commissions, nor was he a political kingmaker. But he read and thought about the issues of the day, and he wasn't shy about speaking out

on them. Reporters who visited him in Kansas would come back with great chunks of opinion, sometimes quirky, always well expressed and often right on the money. "This fellow Carter," he told David Broder of The Washington Post in 1977. "He really puzzles me. He tells Congress he's going to take his case to the people, but he smiles when he says it. He needs to be like Teddy Roosevelt."

Mr. Landon knew that there are times when a person in his position can be of great service to the country. One was in the early 1960s, when John F. Kennedy was seeking to lower trade barriers between the United States and Western Europe. Mr. Landon, who had been associated with the liberal wing of his party ever since he had campaigned for Theodore Roosevelt's Bull Moose Party in 1912, spoke out repeatedly in favor of breaking down trade barriers, to the point that some questioned his Republicanism. He replied that partisan considerations were irrelevant when such vital matters were involved.

He was trusted, listened to and respected to the end of his long life. President Ronald Reagan, who helped celebrate Mr. Landon's 100th birthday last month, spoke for many when he said on the occasion of his death this week, "It was a special comfort to me to know he was just a phone call away."

—THE WASHINGTON POST.

## A Crippled State of State

If the U.S. State Department were a country, you could almost say that it had fought a battle for national survival, and lost. Assorted parts of the government have taken their lumps in recent years — years in which two presidents depicted the federal bureaucracy as an enemy — but none more than the agency that is supposed to conduct the country's foreign relations. The result is an institutional crisis and, worse, a degree of national self-crippling that is no less certain and menacing for being hard to measure.

President Reagan set the stage by his single-minded emphasis on military power as the basic source of U.S. strength, and by his readiness to turn to covert operations. Subtly and not so subtly he helped spread the notion that diplomacy is for sissies. New respectability, or at least new currency, was given the conspiratorial right's view that the State Department is the preserve of elitists with their own suspect agenda. Other trends, meanwhile, were legitimizing congressional inroads on the executive branch's foreign policy prerogatives. And Mr. Reagan was creating a budgetary context in which key international expenditures — for the State Department, the United Nations and its regional offshoots and specialized agencies, the development banks

— were being yielded up to trench warfare. Last week was a bad week but a predictable one. The Senate approved 86 far-ranging foreign policy amendments, 26 in one hour, in what Senator John Danforth, Republican of Missouri, protested as "a cacophony of confusion." The ranking Republican on Foreign Relations, Jesse Helms of North Carolina, who detests the State Department, led the wrecking crew while the committee chairman, Claiborne Pell, the Democrat from Rhode Island who has a soft spot for the department, stood by helplessly when he was not joining the mischief. At the same time, it was disclosed that the State Department is drawing up yet another budget-shrinking plan, whose gross dimensions — a permanent loss of 8 percent of departmental jobs — scarcely hint at the further deterioration of efficiency, good planning and morale that is likely to result.

A disaster so extensive and systemic is not easily corrected. Moreover, no one in either the administration or Congress is visibly offering the large view requisite to a comprehensive solution. But surely there are a few persons in both places who could at least join to hold the line and keep matters from getting worse — aren't there?

—THE WASHINGTON POST.

## Best Leave Nessie Alone

This year's expedition to search for the monster in Loch Ness, Scotland, was the most perilous yet. It came within a hair of actually proving that there is no Loch Ness monster.

The leader of the mission, Adrian Shine, combed the loch with a phalanx of sonar sets capable of pinpointing a salmon. As his high-tech search left less and less reason for believing the monster might be there, he announced a mystery in one unexplained scratch of a sonar tracing. The elusive creature, Nessie, so some will wriggle through that loophole to await the next expedition.

Do such monsters exist? Of course, as long as people can believe in them. Naturally, their habitats must be in sparsely populated places. The Abominable Snowman seeks refuge among the daunting peaks of the Himalayas. Bigfoot leaves his giant

tracks in the wilds of Montana. And the lonely waters of Loch Ness provide suitable cover for a Jurassic age pleurost. The sure way to drive these reticent creatures into extinction is to mount elaborate search expeditions. Even without them, the believability of large monsters hangs by a thread. Unless they are immortal, each must have parents, progeny, nieces and nephews.

Medieval cartographers envisioned the fringes of their known world with unicorns, mermaids, anthropophagi and Amazons. Our world, however modern, prizes its Nessies, yetis and UFOs because the desire to wonder sometimes transcends the desire to understand. Scanning for monsters with sonar imparts what is best about them: their mystery.

—THE NEW YORK TIMES.

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel.: (1) 46.37.93.00. Telex: Advertising, 61359; Circulation, 61283; Editorial, 612718; Production, 630698.

Director of the publication: Walter N. Thayer

Editor for Asia: Michael Richardson, 5 Convent Road, Singapore 0511. Tel. 472-7768. Telex: R258028  
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S.A. pub. capital of 1,200,000 F. RGS Number B 73201126. Commission Paritaire No. 61337  
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## Democrats: No King, No Kingmakers

By James Reston

WASHINGTON — The Democrats are staggering into a presidential election crisis, and even the brightest and the best of them aren't coming to the aid of their party.

You would have thought that after losing four of the last five presidential elections, and after all the monkeyshines by Gary Hart, Joe Biden, Mike Dukakis and Pat Schroeder, the party's thoughtful elders would be organizing some kind of rescue operation.

But no. No emergency calls from Jimmy Carter or Fritz Mondale, the titular leaders of the party. No small sessions in Georgetown by Pat Moynihan, Bob Strauss, Lloyd Cutler and Ed Muskie to survey the damage. And no meetings in New York by Cy Vance, Arthur Schlesinger, Ted Sorecan, George Ball and Bob McNamara to plan for the future.

It's not that they're happy with the remainder they have in the race — Dukakis, Richard Gephardt, Jesse Jackson, Albert Gore, Paul Simon and Bruce Babbitt. And it's not that they like the primary and caucus systems they probably will decide their nominee at the Atlanta convention.

In fact, they distrust the system, for if the primaries and caucuses are decisive, the winner will be chosen by 16 percent of the eligible voters of the country and the other 84 percent in the non-primary and non-caucus states won't have a vote and probably won't like the result.

## OPINION



The present trend favors the Republicans. Their budget deficits are a disgrace, and their foreign policy has been marked by failures and scandals. But the country is still in its fifth year of economic growth without serious inflation; unemployment is below 6 percent for the first time in 10 years and the administration is on the verge of a deal to reduce the stockpile of Soviet and American nuclear weapons for the first time since the invention of the atom bomb.

As if this wasn't enough to make the Democrats cudge their brains, they face the fact that the two Republican leaders — Vice President George Bush and the Senate majority leader, Bob Dole of Kansas — are the only candidates in the race with a national reputation. All the others, with the possible exception of Jackson, are little known outside their own states or regions.

Of course, it's still 13 months before the November election in 1988, and with the World Series of baseball approaching nobody's paying much attention to the election, and nobody knows what thunderclaps at home or

## The Danger Grows in the Philippines

By Drew Middleton

WASHINGTON — A situation is developing in the Philippines that could lead to more damage to U.S. strategic interests in the Far East than anything likely to happen in the Gulf.

Every day brings new rumors of an impending coup against President Corason Aquino's government. Soldiers and officers appear in public with their insignia worn upside down as a sign of their dissatisfaction with the government's policy toward the army and the Communist New People's Army. Colonel Gregorio Honasan, leader of the unsuccessful coup attempt in August, is still at large and apparently communicates regularly with supporters in the armed forces.

The stakes are high for the United States. Its two most important bases in the Far East, the Subic naval station and the Clark airfield, are located in the Philippines and their importance has grown with the steady expansion of the Soviet bases at Cam Ranh Bay and Da Nang in Vietnam.

The lessons on the U.S. bases will be the subject of negotiation in the near future. Talks will be difficult enough with the somewhat capricious Mrs. Aquino. What would they be like with a newly installed military dictatorship or with a communist regime?

The present problem has its roots in the armed forces, specifically the army. Under the military rule of Ferdinand Marcos, the army enjoys a privileged position. Many officers were placed in civilian ministries where, in addition to enjoying a taste of power, they often enriched themselves. Now they have been returned to soldiering. A recent survey of army opinion by the University of the Philippines revealed that at least one-third of the officers interviewed felt it was

their duty to take over the government if its civilian head "was no longer able to perform his duties." Most of the officers who held this view were young battalion and company officers who are out in the field fighting the communist rebels. One report from Manila said that if the rank and file had been polled about 80 percent would have taken the same view.

One reason is that despite the many millions of dollars, most of them American, that have been poured into the Philippine defense forces under

**The military, poorly armed, is demoralized.**

both Mr. Marcos and Mrs. Aquino, the army's arms and equipment are in very poor condition. Tank tracks fail, trucks break down, heavy weapons are largely unrepairable, shoes and uniforms are scarce. Part of this is due to widespread corruption among officers and contractors. Part is due to inefficiency in distribution. Officers, however, blame these faults on the government's lack of interest in the army and its desire to talk to the communist rebels into peace rather than to defeat them.

Could the army do this? Most neutral observers think that it will take at least two years and careful supervision by a government agency to restore the army to the point where it can carry out effective, continuous operations against the communists. One report said that individual soldiers, although physically tough and brave, are poorly trained and, for

## Japan Plays At Charades

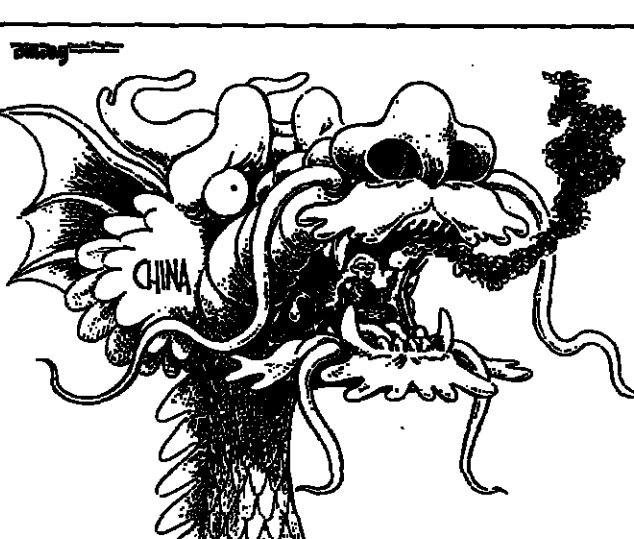
By William M. Stern

TOKYO — The Toshiba Machine Co. gave new meaning to the term "free trade" when it was disclosed that it had illegally shipped sophisticated milling tools to the Soviet Union. Lobbyists from the parent company, Toshiba Corp., have descended on Washington to try to remove from the omnibus trade bill a retaliatory clause that would ban the sale of all Toshiba products in the United States. But before Congress is overwhelmed with sympathy for the parent company — which apparently had no knowledge of the furtive trading activities of its subsidiary — let it keep in mind that Toshiba has flatly refused to trade with Israel.

One of Japan's best kept secrets is that virtually none of its major trading houses nor large commercial companies do business openly with Israel. These are the same companies that have launched a large-scale lobbying effort in the United States against protectionist legislation, posing as the champions of free trade.

The reason for isolating Israel is simple: Most Japanese trading companies adhere to the Arab boycott, which states that any company that trades with Israel cannot sell to an Arab company. The United States and most European countries have passed laws making it illegal to comply with the boycott. Not so in Japan, and Toshiba has been one of the worst offenders. Early in 1986, the Israeli Ministry of Communications approached Toshiba to buy mail-sorting equipment. Toshiba officials told the Israel government it did not trade with Israel. Israel eventually bought the same machines through a third party in the United States. Toshiba even warned its worldwide distributors that their franchises would be canceled if they were found shipping products to Israel.

Toshiba is not alone. Other Japanese companies that openly discriminate against Israel include Nissan, Toyota, Mazda, Mitsui, Mochida, C. Nippon Steel, Hitachi and Sumitomo. Tokyo publicly claims it does not exercise any influence over



the trading activities of the private sector, which supposedly acts independently of government dictates. In fact, the opposite is true.

Unofficially, the government discourages Japanese companies from trading with Israel, and in so doing it subverts the system of free trade that benefits all nations and puts other countries that refuse to abet the Arab boycott, like the United States, at a competitive disadvantage.

Japanese trade officials admit that Tokyo's strict compliance with the boycott stems from a fear that Middle East oil supplies would be cut off and a desire to increase business with Arab nations. A striking feature of Japan's policy has been the forthright explanations of why the Japanese say they cannot trade with Israel. Such admissions are rare outside Japan, since the excuses for compliance with the boycott are usually lame and deceitful.

Trade between Israel and Japan thus remains negligible in proportion to the total foreign trade of each country. Last year, Japan imported about \$300 million worth of Israeli goods, mostly uncut diamonds. Israel imported slightly less than that from Japan. Japanese exporters, when approached by potential Israeli customers, frequently say they cannot supply the desired goods. Moreover, Japanese-registered ships do not call at Israeli ports. Japan Airlines does not land in Israel and Japanese banks refuse to finance trade with Israel.

Long ago, major American firms like Coca-Cola, Hilton, Ford and IBM called the Arabs' bluff. Today the boycott is ignored by Pacific rim countries, including Hong Kong, Taiwan and Singapore. Only Japan and South Korea follow the Arab line.

The publicity given to the recent spate of anti-Semitic books and anti-Semitism in general in Japan has raised fears here of a U.S. backlash against Japanese products. Ironically, a common theme in the literature wars against the economic progress and political power of the worldwide Jewish community. If the Japanese are worried about the influence of American Jews, they may be more willing to make concessions on the boycott, but only as a public-relations ploy.

The trade bill before Congress is a perfect opportunity for U.S. lawmakers to test the Japanese attitude toward free trade, toward economic morality and toward Israel. The Japanese government should be asked first to issue a public statement condemning the boycott and then to begin encouraging Japanese firms to open trade links with Israel.

If the Japanese refuse, their claims to be free traders will ring hollow. As Japan takes its seat at the table of world economic powers, it must also take moral responsibility for its actions and see that fairness and decency are applied to trade.

The writer, who comments frequently on international economic issues, contributed this to The New York Times.

## Bush's Trip Is Ending Up Letter-Perfect

By Jim Hoagland

PARIS — "This is a neurological subject," my friend the diplomat said warily after reading my column (IHT, Oct. 8) on Vice President George Bush's recent trip to Western Europe. That was to be an understatement. The vice president's office took to the column about the way the U.S. Navy took to those Iranian schlemiels who fired off a couple of tracer rounds at American helicopters and got sent to the bottom of the Gulf for their trouble.

Shortly after the column appeared, trans-Atlantic phone wires between the vice president's office in Washington and the U.S. embassies in Bonn and Paris were humming. And shortly after that, embassy officials approached their host governments with a demand: Would it be too much trouble for West German and French officials to make public comments about how successful the Bush trip had really been?

Friedhelm Ost, spokesman for Chancellor Helmut Kohl, obliged by sending off a telex to the editor (see Letters, opposite page), giving his office's view of the trip. In Paris, a Foreign Ministry official who had been called by the U.S. Embassy found occasion to praise Mr. Bush in remarks to the French Senate.

I learned of the unusual pester for Mr. Bush in the French Senate when Ambassador Joe M. Rodgers, the wealthy Tennessee businessman sent to Paris by President Reagan in 1985, had an embassy spokesman telephone to call it to my attention. The spokesman also suggested that I call two French officials who had been contacted by Mr. Rodgers. They were willing to say how well Mr. Bush had performed. If I asked Mr. Rodgers and Richard Burt, the bright and ambitious young U.S. ambassador to Bonn, also clipped in letters to the editor in praise of Bush.

Such letters are routine. But even in this weird American political season, the image of U.S. officials seeking to enlist the help of foreign governments to gloss Mr. Bush's image is a striking commentary on the insecurities of those around the vice president, and on the use of power and position in an administration that has shown a remarkable insensitivity on this score.

It also seems to confirm a disquieting view of the Foreign Service held by a White House that has made more political appointments to large and sensitive embassies and senior policy posts in the State Department than any other in recent memory: it says buckets about what ambassadors seem to be expected to do these days, particularly if they have ambitions about career-level positions in Washington. One strain to imagine how David Bruce or George Kennan would have reacted if asked to rig this kind of echo chamber.

With Mr. Burt in Washington and away from Bonn, it fell to the highly competent and professional No. 2 at the embassy, James Dobbins, to convey the word to the West Germans about the wishes of the vice president's office. Mr. Dobbins declined all comment to questions about the photo opportunities and press conferences Mr. Bush did not weak personally. Mr. Rodgers, a self-described close friend of Mr. Bush's, also was in the United States on Tuesday and not available to comment on a report that Mr. Bush had called him personally.

The point of last week's column was not that Mr. Bush had embarrassed himself in Europe. It was that this trip had been routine rather than distinguished. Away from the photo opportunities and press conferences Mr. Bush did not weak any new ground. That seemed noteworthy because he had turned in a distinguished performance during a successful trip to Europe in 1981, when alliance relations were in a much more difficult stage. Since, the dulling demands of the vice presidency seem to have diminished Mr. Bush's leadership abilities rather than to have added to them.

The same thought was put much more colorfully, and emotively, by Mr. Bush's own chief of staff, Craig Fuller, who was quoted as saying in Newsweek magazine's cover story on Mr. Bush this week: "He's emasculated by the office of the vice president." I trust Joe Rodgers and Richard Burt will soon be on the phone to Fuller to discuss his remarkable candor.

I think Mr. Fuller's imagery goes too far. What is lost in serving as vice president for eight years seems to be a sense of proportion, perhaps of humor.

The Washington Post.

## 100, 75 AND 50 YEARS AGO

### 1897: The Nobler News

PARIS — The King of Wurtemberg will again winter in the south. Owing to the cholera epidemic in Italy, Queen Nathalie of Serbia has postponed her departure for Florence. Prince Louis Napoleon has returned to Mancaletti, and will shortly join his regiment in Verona. The Emperor of Austria, the Kings of Saxony and Serbia and Prince William of Prussia have been dining together at Schobrunn. The Duchess of Cumberland is to leave the asylum at Doebbling (on Oct. 15) for the neighboring chalet at Petzing. Her mental health is said to be completely restored.

### 1912: Roosevelt Is Shot

MILWAUKEE — Colonel Theodore Roosevelt has been shot by a Socialist, but the wound is not serious. The shooting took place near the Gilpatrick Hotel, Third Street, where Mr. Roosevelt had been resting. Mr. Roosevelt was on his way to address a

### meeting when the attempt on his life was made. His assailant was seized by a bystander, but it took four policemen to keep the crowd from lynching him. Mr. Roosevelt requested that the man should be brought before him, and he then asked him why he had shot him. The man, who made no reply, was then taken to the police station. Mr. Roosevelt had his wound dressed and attended the meeting and delivered his speech.

### 1937: Clashes in Ethiopia

ROME — Reports of troubles in Ethiopia were confirmed here (on Oct. 14) with the publication of a list of 99 soldiers and 66 workmen who were killed or died there during September. Dejazmach Haile Kebede, leader of the uprising, was captured and shot. The communique states: "The prompt and efficacious action of our troops has completely re-established the situation, restoring the population to their peaceful labor and liberating them from brigandage."

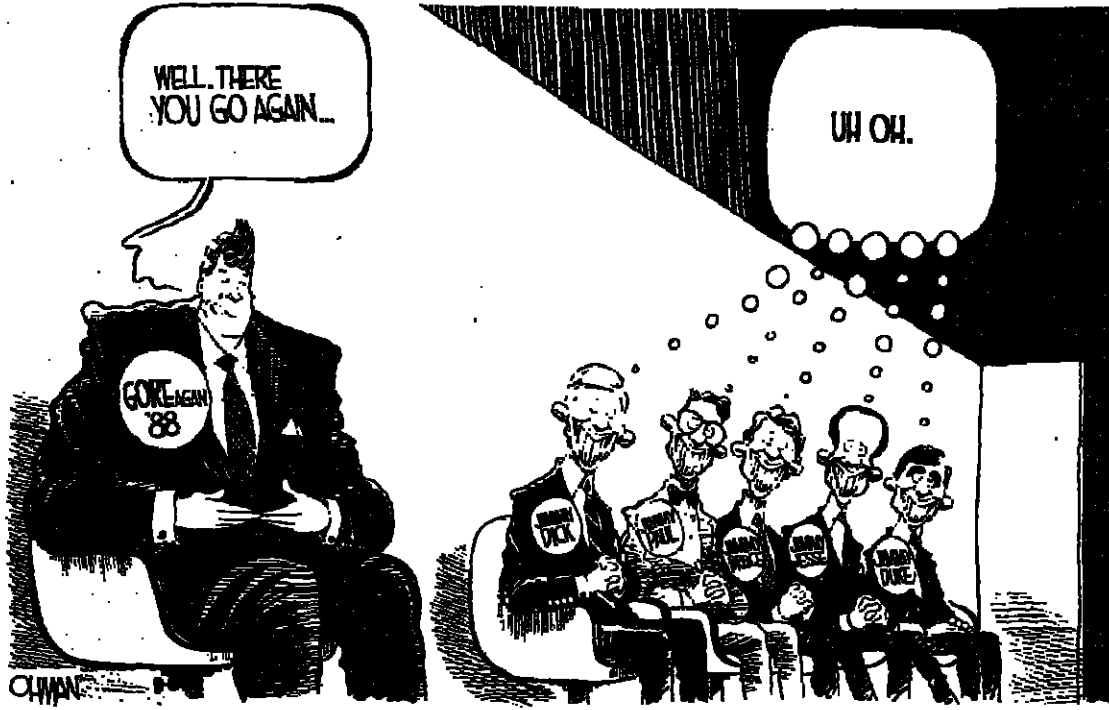


OPINION

The Democrats' Debates: A Lot of Puff, Little Pastry

By George F. Will

WASHINGTON — "Pssst!" says the man lurking in a soiled raincoat in a dimly lit doorway. "Wanna buy an attack video — see politicians naked?" It is a tape, unedited, of Democratic candidates debating at the Kennedy Center. Buy it, but be warned: You will wear out your video cassette recorder's pause and rewind buttons as you muller to yourself, "Surely he didn't say that!" and, reviewing, see that he did. The front-runner, Jesse Jackson, says "Since 1973 we've lost 38 million jobs." The rap musician of American politics is into rhyming, not reasoning, and may count as "lost" any jobs that disappear as a result of economic dynamism that is causing the total number of jobs to rise. (Think of the lost jobs in the buggy-whip industry between 1900 and 1920.) In any case, in 1973, 85.4 million Americans were employed; today 112.7 million are. When Mr. Jackson says "38 cents of every federal dollar is spent on military build-up" (actually, defense is about 28 percent of the budget), his five frightened rivals sit like stumps, pretending not to notice the nonsense. Presumably they are saving their gumption for when they stand up to Mikhail Gorbachev. Some people say it is condescending not to take Mr. Jackson seriously as the front-runner. The real condescension is in not judging him by serious standards. Not since George Wallace has there been a candidate so uninhibited by facts. Like Mr. Wallace, Mr. Jackson has the freedom that comes from the know-



"We have got to ask" (an exquisite choice of verb) "them to get out of Afghanistan and to stop some of the things we've done. But by the same token, we've got to be willing to stop some of the things that sometimes we have done." Unable to leave tepid enough alone, Mr. Gephardt, who probably worries that some Iowa "peasants" lobby will suspect him of cold warriorism, could not resist adding a dash of moral symmetry. But perhaps there is progress, of sorts, here: The "blame America first Democrats" have moderated. Now they are merely "by the same token" Democrats. There is something wrong when a presidential candidate (Mr. Gephardt) is reduced to saying things like, "There is something wrong when the most important businessman in this country is Ivan Boesky." Part of what is wrong is the "sound bite" nature of these debates, in which a candidate (Mr. Gore) finds himself saying he wants to "take my full 30 seconds" to discuss the Middle East. Also, a few seconds are sufficient rope for some to hang themselves with. Mike Dukakis explained that he opposes the Midegman missile because he wants to spend the money on conventional forces. But he went a tad too far. He said that if force is "ever used," it is apt to be conventional force, not strategic nuclear force. Evidently the Dukakis doctrine is that Midegman probably never would be launched, so it would be a waste. That is, deterrence is not a "use." The New Republic reserves special disgust for Mr. Dukakis who, it says, "parrots the left isolationist line — not an isolationism from strength, which is the style of the right, but an isolationism of weakness and abdication." A London food critic recently described a restaurant as offering "nouvelle cuisine with the food added." Who will add food to the Democrats' lite politics? It certainly is less filling than it should be. Washington Post Writers Group.

The Latest Hite Herstories: Sexism on the Shallow Side

By Ellen Goodman

BOSTON — First of all, I must confess that I'm a sucker for "Can This Marriage Be Saved?" articles. You know the kind: First we get Her Story, then we get His Story. Then we get generic advice from the therapist: "What Jim and Judy need to do is learn to communicate, share their feelings and stay in therapy until we get back to them next month." But despite a high tolerance for Tales from the Relationship Crypt, I couldn't bear the latest Hite report (IHT, Oct. 3).

MEANWHILE

Nine hundred pages of depressing correspondence entitled "Women and Love"? Nine hundred pages of Her Story, or to be specific, 4,500 Herstories? Nine hundred pages of comments on things like "Men's trashy behavior and bad manners" and why "Most women are unable to get their relationships to change?" Each time I crawled through Sheri Hite's American love desert, a barren place littered with abuse, silence and misunderstandings, to some tiny oasis of happiness, I wanted to stand up and cheer. "I am so in love with my husband. I'm in love with him because he's such fun to be with. I trust him implicitly." Aaa girl. Way to go kids. Each time I heard a male voice in this all-female chorus — however disparaged by Mrs. Hite's commentary — I felt a peculiar urge to root for the underdog. "There is something to be said for male patterns of a certain amount of privacy and distance." Sure there is, I'm not entirely sure what, but there must be. Author and polemicist, Mrs. Hite made her fame and fortune reporting on female and then on male sexuality; her method, such as it is, is to root out questions, turn the answers into a "study," sprinkle it liberally with her own people, then lob the whole package into the public arena and watch it explode. Mrs. Hite is, and I suspect intends to be, less a reporter than a provocateur. As scribe of sexual skirmishes, there's no question whose side she's on. "This book is," she says in the preface, "... a celebration of each other and the greatness of women." To achieve this celebration, Mrs. Hite gave 100,000 take-home essay questionnaires to women on the subject of their relationships. She got back answers from 4.5 percent. Assuming that disconnected people are much more likely to spend their nights on 127 essay questions, these 900 pages are slanted toward the most unhappily relating women in America. Consider the statistics of the Hite gripe sampler: 95 percent of the women say they experience emotional and psychological harassment from men in their relationships; 88 percent say men avoid talking about problems; 83 percent say men don't understand the basics of intimacy — then, perversely, 67 percent assert that men complain more than they do. There is good reading here among these women's lives, rather like snooping through a true confession record. But there is little surprise. It is no news bulletin that women long for "communication," rich, layered talk about feelings with the men they love. It's no secret that women today suffer "relationship burn-out," exhausted from carrying a work load and caring overload. Nor is it a flash that there is still a gap: Men are changing but so are women's expectations. In my life, I assume 50 percent of the blame in any relationship. Sometimes I get off lucky. In Mrs. Hite's world, however, "it is men's attitudes toward women that are causing the problem." This blanket indictment, this wholesale imbalance, distorts the value and indeed the truths spoken by many of the women. It is too bad that neither these respondents nor Mrs. Hite give much credence to men who are trying to achieve their own internal balance: to be strong and not silent. What is missing from this "report" is what we in the news business call "the other side of the story." You don't know much about relationships until you get inside both partners. Again and again, reading a wife's lament, I wanted to hear from her "other." But man-bashing is not the worst of Mrs. Hite's crimes. Shallowness is. A massive collection like this ought to move the dialogue — move the terms of the discussion — between men and women. All Mrs. Hite will move is books. Washington Post Writers Group.

LETTERS TO THE EDITOR

Rodgers and Bonn Write: Hoagland Was Wrong

Regarding "He Came, He Saw and That Was It" (Oct. 8): I was most surprised to read Jim Hoagland's column on Vice President Bush's European trip. The commentary is wrong in its facts and, I strongly believe, in its judgment of the perceptions of Mr. Bush's French interlocutors of the seriousness and substance of the discussions in Europe. The most glaring error is the charge that Mr. Bush told the Germans one thing about the U.S. position on short-range nuclear weapons and the French something quite different. In fact, the vice president made it unmistakably clear in both Bonn and Paris that the United States has no intention of negotiating short-range weapons now. After intermediate-range nuclear weapons, our next priorities in arms control are strategic, chemical and conventional arms. We checked this question carefully with the people who were involved in the visit at the U.S. Embassy in Bonn, and they have confirmed our

understanding entirely. I do not understand how Mr. Hoagland could have been misled on this key issue. Beyond this point of fact, I believe the gloss the story put on the trip is completely unfair to the vice president. As a supporter and personal friend of Mr. Bush, I cannot pretend to be a disinterested observer. Nonetheless, I came away from every meeting the vice president held here feeling that we had had detailed and productive talks on most of the issues central to the French-American relationship: from arms control and the Soviet Union to agricultural trade and protectionism, from the Persian Gulf and terrorism to African issues and New Caledonia. I am sure this was not just my impression. Every senior French official with whom my colleagues in the embassy and I have been in touch since the visit has expressed satisfaction with the substantive nature of the meetings. Mr. Hoagland cited an unnamed French official. I have no idea what role this person might have played — or even whether he was present at any of the discussions. — have no doubt, however, that if Mr. Hoagland had talked to more of the French participants — and particularly if he had spoken to any of the principals — he would have been as convinced as I am that the vice president's trip was a great success. The discussions here contributed in a very important way to the ongoing process of in-depth consultations between French and American leaders on the subjects at the core of our relationship. JOE M. RODGERS, U.S. Ambassador to France, Paris.

Chancellor Helmut Kohl and Mr. Bush's other official interlocutors all had an intensive and wide-ranging exchange of views with him, which proved to be a very effective continuation of the close German-American consultation on important international issues. This applies, for example, to the various aspects of bilateral relations, the arms control process, European-American relations and assessment of the situation in the Soviet Union and Poland, as well as domestic developments in the United States. Chancellor Kohl and I both paid tribute before the press to Vice President Bush's visit and commented at length on the subjects discussed. FRIEDHELM OST, Government spokesman for the Federal Republic of Germany, Bonn.

The Beef Down Under

The anecdote reiterated by Mark Green in "Could You Pass Such an Inspection?" (Sept. 28), could be applied to the U.S. Department of Agriculture's testing of Australian beef. Americans should ask themselves if their beef could pass the stringent inspection standards demanded of Australian beef. DAMIEN BROWN, Preston, Australia.

It Was His Polysyllables

I was amused to see the name of William F. Buckley Jr. in the company of such distinguished authors as John Dos Passos, William Faulkner, John Steinbeck, E.L. Doctorow and others mentioned in the report, "In FBI Files, a Literary Who's Who" (Oct. 1). Only the FBI would be capable of suspecting such a frantic reactionary as Mr. Buckley of being politically unreliable, subversive or even unconventional. JAMES PRICE, Gstaad, Switzerland.

Democrats in Disarray

Governor Mario Cuomo of New York, who has all the qualifications to be a strong presidential candidate, may have had good reasons some months ago for

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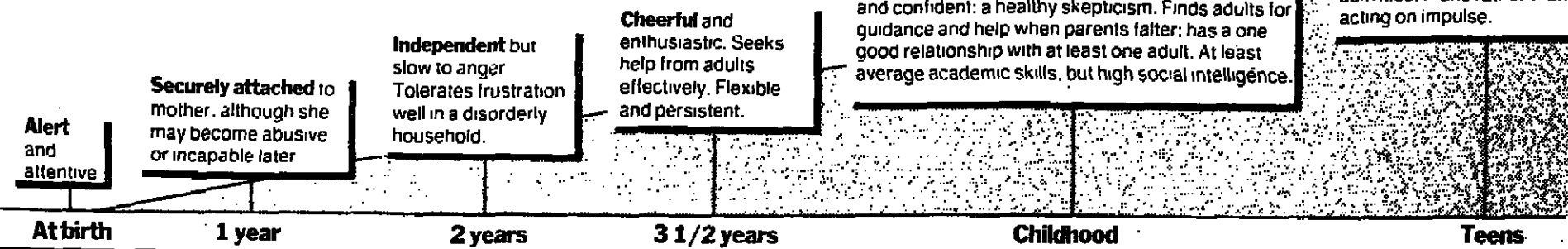




SCIENCE

Success Against the Odds: A Chronology

Some children flourish despite arduous conditions. Although no one trait is common to every success story, several traits seem especially important.



Why Some Children Thrive Despite Hardships

By Daniel Goleman  
New York Times Service

A WOMAN, a paranoid schizophrenic, ate all her meals in restaurants because she was convinced someone was poisoning her food at home. Her 13-year-old daughter developed the same fears and likewise ate in restaurants. Her 10-year-old daughter would eat at

home if her father was there, but otherwise went along with her mother.

But the woman's 7-year-old son always ate at home. When a psychiatrist asked the boy why, he said with a shrug, "Well, I'm not dead yet."

After several years, the older daughter developed paranoid

schizophrenia like her mother. The younger daughter, while sharing some of her mother's fears, managed to go to college and adjust fairly well to life. But the son went on to perform brilliantly in college and in his adult life.

The young boy is one of a group of children who are holding an increasing fascination for experts on child development: brought up under the most chaotic, abusive or impoverished circumstances, they go on to thrive.

There is no single set of qualities or circumstances that characterizes such resilient children. But psychologists are finding that they stand apart from their more vulnerable siblings almost from birth. They seem to be endowed with innate characteristics that insulate them from the turmoil and pain of their families and allow them to reach out to some adult—a grandparent, teacher or family friend—who can lend crucial emotional support.

Grinding hardship will leave even these children with psychological scars. But by and large they are able to thrive in circumstances that leave other children emotionally disabled.

"Such children flourish despite horrendous conditions," said E. James Anthony, a psychiatrist at Chestnut Lodge Hospital in Rockville, Maryland, who interviewed the self-confident young boy.

Some of the most recent findings are from a study of nearly 700 children born in 1955 on the Hawaiian island of Kauai. All the children were born to impoverished families whose parents worked on sugar and pineapple plantations. One parent, and sometimes both, was alcoholic or mentally ill, and the children suffered a trauma at birth, such as oxygen deprivation or forceps delivery.

Each of these factors increases the odds against a child's emotional adjustment. And, over the years, many of the children have shown signs of psychological disturbance. But about 1 in 10 developed exceptionally well.

In findings reported last July in Tokyo at the International Society

for the Study of Behavioral Development, data from the first 30 years of the children's life highlighted the importance of their ability to find someone who could help them face the world with trust.

"Without exception, all the children who thrived had at least one person that provided them consistent emotional support—a grand-

mother, an older sister, a teacher or neighbor," said Emmy Werner, a psychologist at the University of California at Davis, who directs the study. "These are kids who are good at recruiting a substitute parent who is a good model for them."

In interviews when they were 30, many of the resilient children could recall a teacher from as early as the first grade who acted as a mentor, giving them a sense that they could achieve despite the difficulties of their childhood.

"The absence of a supporting adult in a child's life is seen over and over in a range of problems, from delinquency and drug abuse to teen suicide," said Dr. Norman Garzney, a psychologist at the University of Minnesota. Dr. Garzney leads a network of research projects at different universities, financed by the MacArthur Foundation, which are studying the factors that protect children or put them at risk.

In addition to a winning sociability that drew people to them, most of the resilient children in the Hawaii study also had a talent or special interest that absorbed them and gave them a feeling of confidence. "They were able to use whatever skills they had well, even

if they were not terribly bright," Dr. Werner said. "For some it was simply being good at swimming or dance, for others being able to raise prize-winning animals. But these activities offered them solace when things got tough."

By age 30, the resilient children had gotten more education and reached higher economic levels than others in the study, Dr. Werner said. Among them were an architect, a district attorney and a composer.

Another study of children from deprived and troubled homes, by J. Kirk Felsman and George E. Vaillant, psychiatrists at the Dartmouth Medical School, tracked 456 men from early adolescence into middle age. It found that the more successful adults were set apart by industriousness and organization in early adolescence. Sometimes this meant working in a part-time job, taking on major chores at home or being intensely involved with a school club or team.

As younger children, they showed a dogged persistence in the face of failure. "You can see their ability to bounce back in simple tasks, like building a tower with blocks," Dr. Anthony said. "A less resilient child will stop when the tower falls, or not try to build it very high. But the resilient child keeps going each time it falls."

SOME children have protective traits virtually from the beginning of life, according to Ellen Farber, a psychologist at the State University of New York at Buffalo, and Byron Egeland, a psychologist at the University of Minnesota. Their findings appear in "The Invulnerable Child," published last month by Guilford Press.

At birth, they found, the resilient children were more alert and interested in their surroundings than the others. At the age of 1, the children had a secure and warm relationship with their mothers, an experience researchers believe may be particularly important in helping them recover from abuse in later life, even when that abuse comes from the mother.

Manages responsibilities, such as a part-time job or major chores, despite a chaotic home life. Socially adept; participates in group activities. Plans rather than acting on impulse.

IN BRIEF

Bouncing Disks Shed Light on Eddies

NEW YORK (NYT)—Struggling to understand the organized rolling currents that take shape in the atmosphere or in a pan of boiling water, two scientists in Brussels have managed to recreate them in a much simpler system—a computer model of 5,000 bouncing disks.

Driven by their tendency to rise when heated, liquids and gases arrange themselves into complicated structures that cannot always be predicted from the traditional laws of fluid flow. The researchers, Michel Marschall and Edouard Kestemont of Université Libre de Bruxelles, have found that such structures can arise even in tiny, random systems of a few simulated molecules. The researchers, who reported their results in the journal Nature, are among a growing group of scientists using seemingly trivial models to shed light on the spontaneous emergence of eddies and vortices in real fluids. At first their 5,000 disks move around randomly, rebounding off each other and off the walls of their container.

The disks gain some extra speed when they happen to hit the bottom, to simulate the effect of heating a fluid from below. And a few million collisions later, even though the trajectories of each individual particle remains unpredictable, a recognizable circular motion appears.

Sleep Disorders Signal Depression

NEW YORK (UPI)—Disturbed sleep and fragmented dreams may be the first sign of an impending bout with depression, according to preliminary results of a study of divorced people.

Rosland D. Cartwright said at an American Medical Association conference that depressed people have severe sleep disorders and often experience fragmented dreams in which they are victims of their own making.

"Their first REM (rapid eye movement) period comes too early and lasts too long," said Dr. Cartwright, a psychologist at Rush-Presbyterian-St. Luke's Medical Center in Chicago. "It is a signature of depression," she said. "So much a signature it is being considered a biological marker."

Hand and Wrist Pains on the Increase

NEW YORK (UPI)—An increasing number of workers who perform high tech-jobs and data processing are finding pain at the end of the day in their hands and wrists. The aches, tingling, numbness and burning sensations are linked to carpal tunnel syndrome, a potentially serious nerve disorder that can be disabling. The National Institute for Occupational Safety and Health estimates the syndrome afflicts 23,000 workers a year in the United States. Many of them lose use of their hands.

Physical therapists report hundreds of thousands of other workers who use their hands to type, assemble parts in factories, and work cash registers—have wrist pain, but not the syndrome itself. "So much of our population is entering jobs that require their hands," said Susan J. Isemhagen, a Deluth, Minnesota, physical therapist specializing in carpal tunnel syndrome. "People spend more time at video display terminals. Sophisticated electronics require delicate hand skills in assembly."

Beepers Summon Husbands to Births

MALMO, Sweden (AP)—Pregnant women in this port city now can borrow beepers from the authorities so they can page their husbands when it's time to give birth.

The Swedish national news agency IT reported that fathers sometimes do not come in time to support the women during delivery. "This is a good service. Sometimes the birth goes very fast. By giving the fathers beepers they do not miss the big moment," said Helena Andersen at the Central Maternity Ward in Malmo. The beepers are provided by the regional telecommunications administration two weeks ahead of the scheduled birth date to women that can show a maternity certificate, IT said.

Virus Linked to Cervical Cancer

BOSTON (UPI)—French researchers reported new evidence strengthening the idea that a sexually transmitted virus may be an important cause of cervical cancer in women.

Doctors at the Pasteur Institute in Paris examined the sexual partners of 480 women with genital warts or early stages of cervical cancer and found about two-thirds of the men had growths on their penises associated with a virus known as papillomavirus.

"These data strongly support the sexual transmission of potentially [cancer-causing] papillomaviruses and the existence of a male reservoir of such viruses," the researchers wrote, in reporting their findings in The New England Journal of Medicine.

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# Hong Kong Ironies

## 'Prevailing Pessimism' Takes Bloom off the Boom

### IN THE NEWS

#### January: U.K. Selects

##### Governor for Hong Kong

Sir David Wilson, head of the Far East department in the British Foreign Office and a former Hong Kong political adviser, is appointed governor of Hong Kong. He succeeds Sir Edward Youde, who died of apparent heart failure last December. At 52, Mr. Wilson is the youngest governor in Hong Kong's 146 years as a British colony.

#### June: Green Paper

##### Reviews Political Options

The administration releases its green paper on the development of representative government in Hong Kong. The 48-page review lists the options on political change, including direct elections and universal franchise. About 300 outlets will distribute more than a million copies to citizens free of charge.

#### August: Refugee Tide

##### Alarms Political Leaders

An influx of almost 1,200 refugees from southern China re-ignites concern over Hong Kong's growing refugee population among legislators and local political leaders. By Aug. 20, Chinese and Hong Kong negotiators reached an agreement to send refugees back to China.

#### September: Carrion Official

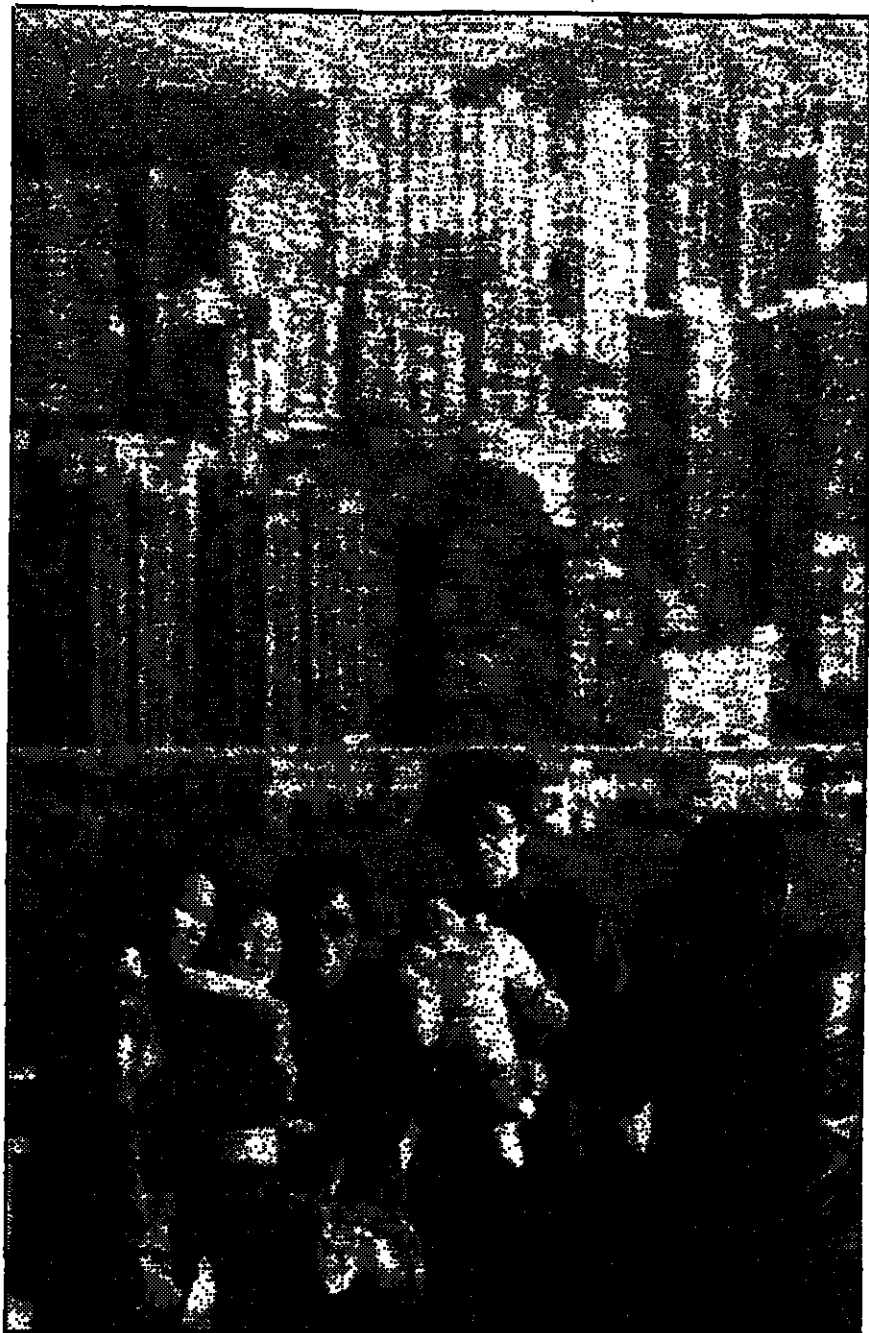
##### Acquitted of Conspiracy

In the most extensive commercial crime prosecution in Hong Kong's history, a supreme court judge acquitted George Tan, former head of the defunct Carrion property empire, of conspiracy charges. The network of companies headed by Mr. Tan collapsed in October 1983, leaving traceable debts of more than \$1.2 billion.

#### October: Prime Rate

##### Raised to 8.5%

Hong Kong banks raise their prime lending rate by one point to 8.5 percent, the highest since May 1985. Foreign exchange dealers said the move had been expected after U.S. banks raised their prime lending rate on Oct. 7.



Hong-Kong's middle class: Losing faith?

Despite the economic surge, jittery professionals are getting out before China gets in.

By Patrick L. Smith

**H**ONG KONG — There is a new fashion on Chinese-language television in this vibrant, unquiet territory: the farewell variety show. Half a dozen established stars, some with careers spanning decades, have chosen the hour-long special this year as the platform for their final goodbyes.

What is striking about these extravagant, glitter-filled displays is not the exuberance of both the audience and those performing for it — that has long been a feature of local entertainment — but the unself-conscious ease with which Hong Kong has come to accept the beginning of its own social disintegration.

A year ago, the key concern among Hong Kong's 5.6 million residents was whether confidence would be maintained in the period preceding 1997, when Britain's colonial lease expires and China is to regain sovereignty. By

comparison, there is much less on the table now.

More and more among those who can afford it, the question is no longer whether to leave Hong Kong, if only long enough to secure a legitimate right of abode elsewhere; it is simply a matter of when, where and how.

At the Hongkong and Shanghai Banking Corp., the territory's premier financial institution, more than 10 percent of the 600 senior Chinese executives have resigned this year to emigrate. Similar drains are evident in other industries and throughout the professions.

The slow exodus of Hong Kong's middle class — its lawyers, doctors, bankers and entrepreneurs — has begun earlier than most political analysts anticipated, although it has so far not affected an economic boom that began two years ago. It underscores, however, the fragility of Hong Kong's economic future and the extent to which residents have lost faith in China's respect for its agreement with Britain and London's willingness to defend it.

The issues confronting the territory have not changed over the past year. They remain how Hong Kong is to be governed during the 50-year period of autonomy that China has guaranteed after 1997 and how China will ultimately interpret these guarantees in a mini-constitution that is to be unveiled in three years' time.

But the core issues in the transition period — whether Hong Kong will be ruled by an elected legislature and whether the executive will answer to it — are now seen chiefly as a final test of whether Britain will put Hong Kong's interests before its bilateral relations with China.

"The prevailing pessimism is no longer even focused on the election issue," said Anthony Ng, a surgeon and a member of a local district board. "Whether we have them or not, the fear now reflects the degree of control China insists on having over Hong Kong."

China's fundamental opposition to democratic reform in Hong Kong has long been evident. Its continued pressure this year, however, has served to sharpen local demands for new democratic reform measures to be taken while the British administration remains in nominal control.

In keeping with a schedule set when the Chinese-British agreement was concluded in

Continued on page 11

## Exports Support Strong Growth

**H**ONG KONG — It would be tempting, given Hong Kong's extraordinary economic performance this year, to conclude that the territory is now living at least partly on its own political uncertainties.

Hong Kong is alone among the region's newly industrialized economies in not revaluing its currency against the much-weakened U.S. dollar in recent years. Instead, it maintains a formal link between its currency and the dollar, a link instituted when political concerns threatened local confidence in late-1983.

Reflecting the gains made chiefly as a result of currency weakness, exports to Japan and the European Community have surged this year even faster than the overall growth rate of 27 percent Financial Secretary Piers Jacobs is now predicting for Hong Kong's export trade.

But the economic forecast Mr. Jacobs disclosed last month — 12 percent growth, Hong Kong's best performance in two decades — is made up of more than just a currency advan-

tage. It also reflects stronger-than-expected demand in overseas markets, a surge in domestic consumption and the underlying competitiveness of the handful of industries — clothing and textiles, electronics, toys, watches and jewelry — that are the economy's backbone.

In some respects, Hong Kong's economy could not be healthier. Unemployment is at a record low of 1.8 percent; despite a 12 percent rise in manufacturing wages over the past year, inflation is likely to remain below 10 percent, even if it pierces the 6 percent rate Mr. Jacobs anticipates.

But there are some unmistakable signs of danger. Taken together, they suggest that Hong Kong's economy is entering a difficult transition that is likely to last at least until the end of the decade.

Chief among the challenges faced by local employers is the chronic labor shortage that has emerged in recent months. Economists are already predicting that growth next year could be cut by up to a quarter, from 11 percent to 8

percent, providing demand remains steady, because of capacity constraints.

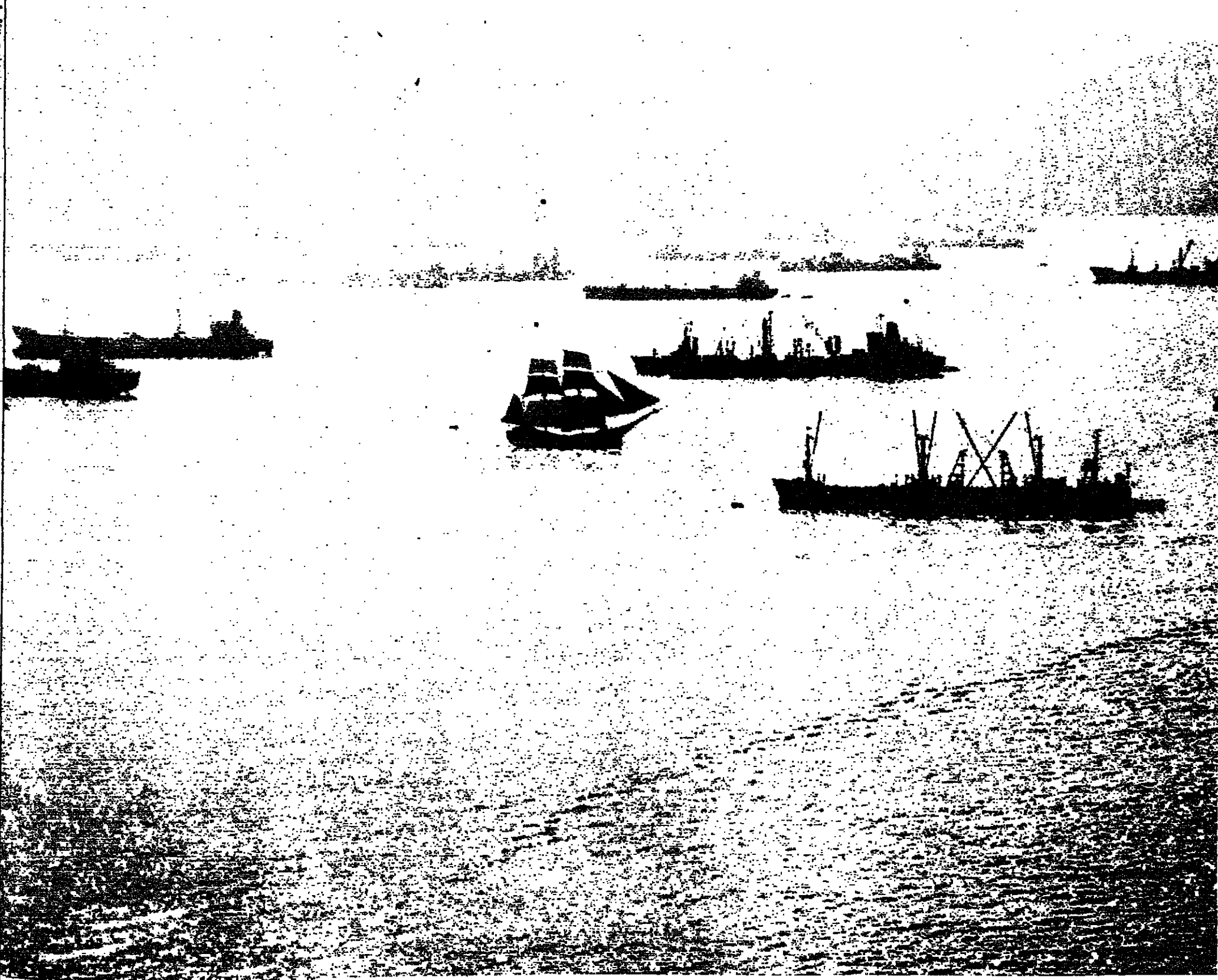
"Our basic difficulties in the future will be internal," said Vincent Cheng, manager of economic research at the Hongkong and Shanghai Banking Corp. "The question is whether we have the labor force and the physical infrastructure to cope with rising demand."

In part, this is one of the "happy headaches" that crop up regularly in East Asia — oversized foreign reserves in Taiwan, cars that are too competitive in South Korea. More fundamentally, however, unbalanced supply and demand in the labor market suggest the extent to which Hong Kong is falling technologically behind its competitors in the region.

Reflecting official concern about the issue, the administration is slowly abandoning the laissez-faire approach to industry for which it has long been known. A new university dedi-

Continued on page 10

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# Bankers Adjusting To New Standards

By Coleen Geraghty and Patrick L. Smith

**HONG KONG** — When Robert Fell stepped down as Hong Kong's banking commissioner several weeks ago, the timing of the move was not lost on the territory's large community of local and foreign bankers.

Mr. Fell's term, which began three years ago this month, coincided with what was arguably the worst banking crisis in Hong Kong's financial history. It ended as the territory embraced a new era as a financial center, in which it hopes to leave behind the reputation for instability gained earlier in the decade.

"Bob put out the fires, my job is to prevent them," said Anthony W. Nicolle, Mr. Fell's successor and, like the outgoing commissioner, a veteran of the Bank of England. "The industry might be just a little less free and easy than it has been in the past."

At the peak of the crisis in 1985, Mr. Fell oversaw half a dozen government takeovers of private banks, most of which were troubled by poor loan portfolios, corrupt management or both. As Mr. Nicolle assumes his duties, several of these banks have been returned to the private sector under new ownership and management.

The centerpiece of Mr. Fell's effort was a banking ordinance that was issued a year ago and will come fully into force over the next 11 months. In line with a global trend toward uniform banking standards, the legislation sets standards for supervision and capital adequacy (the ratio of loans to capital) that match those already in force in Britain.

The challenges now are to keep pace with change in the banking industry, particularly

as merchant banks continue their efforts to replace declining demand for syndicated loans with fee-based activities. Among other things, Mr. Nicolle intends to review the three-tier system through which banks effectively graduate in terms of the business they are permitted to conduct.

The present structure is comprised of registered deposit-taking companies, or DTCs, which are permitted to accept deposits of more than \$100,000 Hong Kong dollars (\$12,830) for a minimum of three months; licensed DTCs, which can take deposits of more than \$500,000 Hong Kong dollars for any period, and commercial banks.

The intent of the system when it assumed its current form in the early 1980s was to protect small depositors. The question now is whether the system is outmoded. "The riches aren't sufficiently related to the market as it is," Mr. Nicolle said. "A lot of DTCs don't want to take deposits; they want to be merchant banks."

Apart from this, banking regulators are anxious to keep pace with the increasing trend toward debt securitization in the industry. It is a somewhat difficult dimension of the financial scene, chiefly because Hong Kong's securities legislation has yet to be modernized the way that banking regulations have.

For a start, Mr. Nicolle plans to enlarge his staff as its supervisory duties expand. The current staff has not been able to keep abreast of the growth in securitized banking assets; nor has the commission developed a set of guidelines on how to treat these hybrid creatures, although a consultative paper is being prepared.

Not content to sit on the sidelines, the major banks are joining the equity boom with their own investment funds. Chase Manhattan, Standard Chartered and American Express Bank each offers a portfolio of



A trading room at the Hong Kong branch of BNP.

### The challenges now are to keep pace with change in the banking industry, as merchant banks replace declining demand for syndicated loans with fee-based activities.

funds, most of which are newly authorized in Hong Kong.

The search for new endeavors essentially reflects shrinking profits in its traditional banking activities rather than any newfound pioneer spirit. "There's less money for the banks as securitization moves into a mature phase," said Haroun Rashid, managing director of Australia and New Zealand Bank's merchant banking operation.

There is no question that Hong Kong is now overbanked in both the retail and wholesale sectors. Finding the environment

too competitive. Bank of America and Barclays shut down their retail operations over the past year, while Lloyds and the Royal Bank of Canada closed their merchant banking offices here.

Nevertheless, foreign banks continue to clamor for entry — 15 have been licensed over the past 18 months — attracted chiefly by the territory's access to China and its role as a regional financial center. Although spread evenly through Asia and Europe in 1987, half of the 10 banks that arrived last year were Japanese.

# Foreign Money Provides Fuel for the Bull Cycle

By Coleen Geraghty

**HONG KONG** — Basking in the glow of a relentless price surge, sustained foreign interest and dozens of new issues, the Hong Kong stock market seems to have finally shed its image as a punter's paradise.

Admittedly, there are speculative elements to the current boom, which has lifted the local Hang Seng index by nearly 50 percent in the 15 months ended Sept. 30. But it is the dominant presence of foreign money that differentiates this bull cycle from the previous ones.

Local brokers say they cannot determine the share of volume attributable to foreign investors, but it is surely a sizable proportion.

"Average daily turnover has more than doubled in the last year," said Larry Tam, director of Sun Hung Kai Research. "That's a good indication of the extent of foreign involvement. One cannot expect the Hong Kong market to grow organically at that rate."

American brokers estimate that 5 percent to 10 percent of U.S. pension fund money is invested in Hong Kong at the moment.

"This is not purely opportunistic money," said Steven Hayes, a New York-based Asian equity specialist with Hoare Govett. "Neither American nor European investors will buy a foreign market just because it's on the way up. Their decisions are fundamentally sound."

Indeed, there are solid fundamental reasons fueling the current bull cycle, among them a robust economy, booming exports and excess liquidity. Local investors had already begun driving up prices when foreign money, looking for new landing strips, swooped on several of the small Asian markets.

It is no coincidence that international investors discovered Hong Kong, Singapore, the Philippines and South Korea as Japanese equities began to run out of steam.

Increased liquidity at home and new money from abroad have spawned many new issues. In the last year or so, about 40 Hong Kong companies gained

listings on the stock exchange, and 30 more are waiting to follow.

Moreover, listed companies have seized the opportunity to raise new working capital through private placements and rights issues. According to Jardine Fleming Securities, more than 44 billion Hong Kong dollars (\$5.6 billion) has been raised in the market so far this year.

The combination of new issues and the increased value of older shares has boosted Hong Kong market capitalization to \$84 billion. And as other world markets show signs of faltering, Hong Kong continues at full speed. As recently as last month, the Hang Seng index had seven consecutive record high closes, finishing at 3,884.65 on Sept. 28.

Mr. Tam of Sun Hung Kai envisions the index reaching 4,200 by the end of the year. Michael Hoare Govett's local assistant director, Michael McCoy, predicts a surge to 4,500. This phase of the bull cycle has been characterized by the return of local investors in large numbers.

"People are underestimating how much local money has been pumped into the market since September," said Mr. McCoy.

Local participation, necessary as it is to a market's health, does raise the specter of a reversion to the boom-and-bust cycles of the past. Hong Kong residents are notoriously fickle. In 1973-1974, for example, speculative, overbought conditions forced the Hang Seng from 1,775 to 150 in just a few months.

Perhaps the market's greatest weakness has been its vulnerability to property cycles, which are unusually volatile in Hong Kong. Property and property-related companies account for nearly 30 percent of total market capitalization, so when the property market collapsed in 1982, the equity market also suffered.

The development of the Hong Kong market during this bull cycle has revealed other inherent flaws. One is the lack of effective legislation to deal with insider trading, which is reputedly widespread.

COLEEN GERAGHTY, formerly an associate editor at Asian Finance, is now a contributor to Global Finance, a New York-based monthly.

# Bailed-Out Ship Market Appears Set on a Cautious Recovery Course

By Steve Glain

**HONG KONG** — Hong Kong's shipowners, who were dealt a severe blow in the mid-1980s after a binge of fleet expansion based on easy credit and overestimated demand, seem to be finally responding to the coffee and aspirin administered over the past several years.

The slow but seemingly stable recovery in Hong Kong's ship market comes only after mammoth debt restructuring exercises of two major shipping groups and an upward trend in freight rates over the past year — although they still do not equal levels achieved before the oil crises of the 1970s.

But before the industry is given a clean bill of health by the banks, which barely survived

one harrowing bout of exposure, shippers will have to prove that the revival of new building contracts are in line with long-term growth projection and not capital euphoria.

The year opened with the bailing out of Hong Kong's two ailing shipping groups, Tung and Wah Kwong. In late January, 160 creditors of C.H. Tung's shipping empire agreed to reschedule the group's \$2.6 billion debt, ending 14 months of negotiation.

The Tung empire underwent an aggressive reshuffling that forged Orient Overseas Holding Ltd. into the group's main public entity.

Local response to the overhaul was encouraging, especially with the strong comeback in the container trade. OOHHL's principal shipping service.

"It wouldn't surprise me to see Tung's results look bloody awful," said a local ship-

broker. "But things are looking much better this year and since they've been restructured so low, their cash flow should be fantastic."

The container trade is particularly strong between the expanding Pacific Rim and Western Europe with its strong currency advantage. Hong Kong operators said their decks will be filled from now until the end of the year due to Europe's enhanced buying power.

"The signs are that from Hong Kong most suppliers are fully booked until the end of the year," said Rudy Schats, SeamDutch's Far East general manager. "We are quite optimistic."

And while cargo throughput from Asia to North America trails behind the healthy European trade, the result of a plummeting U.S. dollar, ship brokers report a slight rise in trans-Pacific freight rates.

As a result, ship values are soaring. A Hong

Kong broker said a 40,000 deadweight ton ship, sold a year ago for \$4.8 million, was recently bought for \$9.2 million.

In July, the Hong Kong office of Tiphook, an international container-rental network, said it would buy 25,000 teus (20-foot equivalent container units) for \$75 million. The deal was to absorb growth in the Far East container market, "the most profitable side of the market," a Tiphook official said.

Geared for the container upswing, Orient Overseas Holding in July introduced four ships designed to carry 2,800 teus. It also began receiving \$20 million of new container equipment, including specialized boxes and chassis.

A month later, the company said it was seeking financing for two to three new container vessels with about 3,500 to 3,800 teu capacity. Delivery is expected by early 1989.

As if sanctioning Orient Overseas Holding's revival, creditors in August agreed to a series of forward rate agreements worth \$375 million, soothing the group's fears of a leap in interest rates. The deal was reported to be the biggest of its kind in Hong Kong.

But despite OOHHL's steady course, it is still vulnerable to adverse exchange rates of increased capacity that would diminish lead factors. And while the company's interest repayment appears sound, it will not begin tackling principal debt until late 1988.

The volatile Gulf also poses a threat, as even a slight rise in oil prices would send operational costs soaring.

But if OOHHL is not yet clear of the storm, the Wah Kwong Shipping Group is still taking water. OOHHL's partner in bad debt, Wah Kwong, last November announced a \$850 million restructuring.

In its 16-month annual report, Wah Kwong said it has lowered its debt to about \$331 million, not including subordinated losses. In addition, the company's creditors have agreed to much longer repayment periods.

But Wah Kwong is still reported to be in slightly more disarray than OOHHL and has been stung by news of its overhaul. Wah Kwong's chairman, Chao Tsong-yea, said in the company's annual report that the group lapsed into an "increasingly difficult financial position over the past 15 months," worsened by crippling overcapacity and the collapse of five of the group's charters.

Fulfilling obligations to creditors to streamline operations, Wah Kwong is pairing down its fleet to a core of 30 vessels, not including newly built ships. Under the terms of the agreement, 15 aging ships were put up for sale, with all but one sold.

In contrast to the rest of Hong Kong's shipping fraternity, Sir Y.K. Pao's WorldWide Shipping Agency is now reaping the benefits of its use of restraint during times of wanton expansion.

A former banker, Sir Y.K. trimmed his fleet during the robust 1970s anticipating the market's vengeful response. One of the few companies to survive the global shipping slump rela-

tively intact, WorldWide is now projecting long-term growth.

The WorldWide strategy is based on fixed charters to sound clients although this plan nearly backfired in 1984 when 21 of the group's 80 ships were chartered to Japan's ill-fated Sanko Lines. But most of WorldWide's clients have proved safe credit risks, owing much to Sir Y.K.'s banker instincts.

Reported to have the largest fleet in the world, WorldWide is now cautiously expanding. Next year, the group expects delivery of four very large crude carriers, ordered in 1986 for \$37 million each.

But Helmut Solmen, WorldWide chairman, said the purchases do not signal a vibrant upswing in the short-term tanker market. The new buildings will not come on line until the market fully recovers, which WorldWide does not expect until 1989.

But second guessing, the tanker market can be as dicey as braving the contested waters of the Gulf. Demand for Gulf oil rose in August with the escalation of the Iran-Iraq war and fears of a cutoff in crude supply.

Chartered throughput, which Hong Kong shipowners seem to prefer to the more unpredictable spot market, rose to its highest level in 10 years.

STEVE GLAIN is the shipping correspondent for The South China Morning Post.



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# Economy: Exports Fuel Strong Growth

Continued from page 9

ated to science and technology is now set to open in the early 1990s; industries such as precision machining and electronics are also being targeted for official help in upgrading technology.

In the meantime, local manufacturers operating in southern China are currently estimated to employ roughly 1 million workers in neighboring Guangdong province. Economists view this phenomenon partly as a safety valve

that protects the short-term growth rate and partly as a catalyst in the territory's increasing integration into China.

Potentially more serious are signs of similar personnel shortages that are beginning to emerge in service industries and corporate offices. Far earlier than most political analysts expected, the supply of executives, professionals and technicians is shrinking as a result of the apparent decline in political confidence as 1997 approaches.

Beijing's clear determination to assert its authority in Hong Kong is one explanation for this trend. The other, ironically, is the health of the economy itself.

"Sell your shares, sell your property," a middle-ranking executive said. "Is there a better time to pull your money out than at the top of the market?"

Although far from critical, executives say the shortage is evident in industries ranging from computers to banking. The Hongkong Bank's loss of more than 10 percent of its senior local managers this year, although surprising, is

not the worst case among financial institutions, banking executives believe.

Good people are the scarcest asset, William Purves, Hongkong Bank's chairman, said in a recent interview. "Not having enough of them can be a severe limit on your ability to take on new things."

Reflecting a pattern that has become increasingly prevalent over the past several years, economists and executives expect the white-collar shortage to worsen somewhat and then improve toward the end of the decade, as local families return from abroad after establishing a permanent right of abode elsewhere.

The questions are these: How severe will the shortage grow and how well will Hong Kong weather what is effectively a transition period for much of its executive class? Some senior managers already worry about a trend toward over-promotion among middle-ranking executives, a loss of company loyalty and other problems normally associated with economies far less developed than Hong Kong's.

More critically, what percentage of the territory's entrepreneurs will join the exodus? Canada, one of several favored nations for local emigrants, issued some 1,300 visas last year to those classified as investors; the number is now growing by about 15 percent annually.

Even assuming there is no increase in this figure over the next decade, according to immigration experts, it suggests the departure of a significant proportion of the medium-sized businesses on which the economy is based by the time Beijing assumes sovereignty.

Based on medium-term projections of global economic activity — the International Monetary Fund forecast steady growth to the end of the decade in the annual report it issued last month — economists expect Hong Kong to continue growing at a pace sufficient to ameliorate its structural and politically induced difficulties.

Given the territory's relatively brief business cycle of three to five years, however, it is still too early to measure confidence by the strength of the economy.

Patrick L. Smith

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Mapping Out Mainland Ties

# Debate on Democracy Is Far From Closed

By Frank Ching

**HONG KONG** — Once all but unheard of in Hong Kong, the political debate over the territory's future that began with the conclusion of the Chinese-British agreement has intensified dramatically over the past year.

As all sides appear to recognize, the next few months are likely to prove crucial in determining the kind of government that Hong Kong will live under during the next half-century and the degree of acceptance it enjoys among the territory's 5.6 million people.

The next few months are likely to prove crucial in determining the kind of government that Hong Kong will live under.

In its broadest terms, the debate has revolved around a single issue from the start — the relative importance of democratic government vs. an efficient administration. It is now focused sharply on two questions: whether Hong Kong should elect at least part of its future legislature and whether the executive should be answerable to it.

Direct elections were virtually promised in a British political review of the territory that was completed in 1984, when the joint declaration was signed. Since then, however, Britain's political bind — how to demonstrate its respect for local opinion while not offending Beijing — has grown steadily more apparent.

Sir Geoffrey Howe, the British foreign secretary, acknowledged a year ago the need for political reforms to "converge" with a new constitution currently being drafted for Hong Kong under Beijing's auspices. Since then, convergence has become more or less an article of faith.

Britain issued its green paper, or discussion document, on future political changes earlier this year. Although it covers a wide range of issues, from district administration to the composition of the legislature, the paper's core question is whether there should be direct elections next year.

At present, 32 of the 56 legislative councillors are either government officials or appointees. The remainder were chosen in indirect elections two years ago, in which

only 2.5 percent of the population voted through district boards or professional associations.

On the face of it, convergence should be a non-issue. China has been formally committed to public consultation on the Basic Law, as the new constitution will be known, from the outset. Britain's four-month consultation on the green paper represents the flip side of the same exercise.

Confidence in this process, however, is low. Even those convinced that a majority of residents favors the rapid introduction of political reforms are now braced for a British decision to delay the process.

Several surveys conducted in recent months, for instance, indicated that a majority of those polled did not believe public opinion would carry much weight in the formulation of Britain's coming white paper, despite official insistence that the assessment effort will be genuine.

"If the call for direct elections in 1988 is successful, obviously we will continue our efforts," Sze To Wah, a legislative councillor and a staunch advocate of democratic reform, said at a political rally several weeks ago. "But we are already mentally prepared for failure."

For China's part, it has stressed repeatedly in private meetings with prominent Hong Kong figures that it is not opposed to democratic reforms but that Beijing, not the colonial administration, should be seen as the source of them. That, in short, is a gamble

that few proponents of democracy are prepared to take.

Lobbying on both sides has been hard. Although opposition to reform centered on an alliance of local business leaders, Chinese officials and pro-Beijing organizations in Hong Kong, there were still a number of surprises.

Sir S.Y. Chung, the senior member of the policy-making Executive Council, caused an outcry on the eve of the green paper's publication by asserting that public opinion may not be reflected in the government's final decision on the territory's future government; the quality of opinions, not the numbers, was what counted.

Later in the consultation period, the chairman of the local stock exchange issued a circular to its



Sir Geoffrey Howe.

members that called upon them to voice opposition to democratic change. It was in this context, too, that the Bank of China similarly pressured its employees.

For its part, the democratic lobby appeared disorganized. Although polls consistently showed that advocates of direct elections outnumbered those opposed, a small core of activists was unable to rally enough support to stage mass demonstrations.

**FRANK CHING**, who has served on the staffs of *The New York Times* and *The Wall Street Journal*, recently completed a book tracing his ancestral roots in China. He is now the Hong Kong bureau chief of *Triple A Incorporating Asiabanking*, a financial monthly.

# Chinese Entrepreneurs Moving In

By David Schlesinger

**HONG KONG** — When the China International Trust & Investment Corp. purchased a 12.5 percent share in Cathay Pacific Airways Ltd. earlier this year, many analysts viewed the transaction as an important indication of how Hong Kong's corporate scene is likely to evolve in coming years.

Citic, an investment vehicle founded in Beijing eight years ago, is the most aggressive commercial enterprise yet to emerge from the mainland's modernization effort. In acquiring an eighth of Cathay, Hong Kong's unofficial flag carrier, it joined forces with the Swire Pacific group, the local subsidiary of one of the territory's oldest "hongs," as traditional British trading houses are known.

It also demonstrated the degree to which China is willing to compete with itself as its economic stake in Hong Kong grows. Other mainland interests already own an influential minority share in Dragon Airlines Co. Ltd., a small carrier that began competing with Cathay two years ago.

But the airline industry is only one of numerous sectors of the economy in which China is active. Other high profile investments have been in longer-term infrastructural projects, finance, hotels, shipping and manufacturing. Ten years before Beijing assumes political sovereignty over Hong Kong, it already ranks as a major economic power in the territory.

China's stake in the colony is now worth as much as \$15 billion, bankers and diplomatic analysts believe. The total has swelled dramatically in recent years, in part because of the large profits mainland enterprises have made in Hong Kong's property and stock markets during the past two years of double-digit growth.

"They have the foreign exchange," a Western diplomat based in Hong Kong said.

"They're not poor, scrabbling folks any longer."

Reflecting the dramatic rise in local share prices over the past 18 months, equity investments alone have yielded paper profits of \$7 billion to \$8 billion, one economic analyst estimates. That figure is almost equal to Beijing's total foreign reserves.

Xinhua, the Chinese news agency, has reported that the mainland's Hong Kong property holdings total \$1.3 billion. But Thomas Chan, a Hong Kong University economist who follows Chinese investments closely, values Beijing's portfolio at twice that amount.

Joint ventures and minority stakes in local corporations are an increasingly apparent feature of China's economic push into the colony. For many Hong Kong companies, a mainland partner is, in effect, a kind of guarantee of a prominent place in the Hong Kong of the future.

Several months ago, for instance, the Bank of East Asia, one of the largest locally owned institutions in Hong Kong, sold a 5 percent share of its issued capital to a Chinese entity — a percentage that is virtually useless on a practical level, banking analysts suggest.

Such arrangements are particularly evident in the financial sector, where the mainland's expertise is most limited. Training and experience for younger managers is one of Beijing's highest priorities in this area.

Entering into such areas as the stock market and the current property boom, however, China is just as exposed to an economic downturn as other investors. Should these markets reverse themselves, Chinese managers may be hard pressed to cover their losses, several analysts suggested.

"The level of sophistication is very thin," a Western economist said. "Some of these managers have only known a boom."

In the manufacturing sector, the Chinese stake was put last year at \$366 million in a Hong Kong government survey of foreign in-

vestment. That figure ranks China third after the United States and Japan.

Mr. Chan, of Hong Kong University, has identified 400 officially approved Chinese-controlled companies in Hong Kong through internal government documents. "But even 3,000 would be a conservative estimate," Mr. Chan quickly added.

The precise amount of Chinese involvement in Hong Kong is impossible to determine, because Hong Kong does not require any disclosure of foreign investments and because Beijing does not supply statistics.

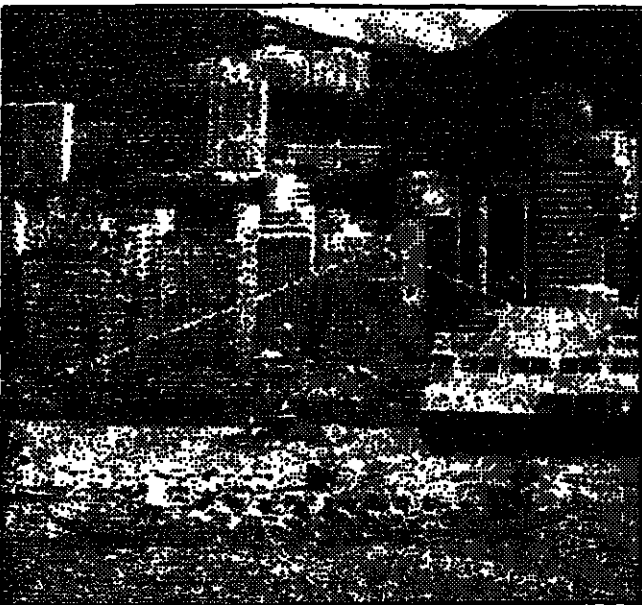
The marked increase in China's interest in Hong Kong dates to 1984, when provinces, counties and even cities began setting up their own companies here. While not all are profitable in a strict accounting sense, economists say, they serve an important function in providing their parents easy access to much-needed foreign exchange.

Some senior Hong Kong executives have begun to voice concern over the tendency among Chinese enterprises to use their new economic clout to reduce competition in industries where they have assumed a major role. Trading links between Hong Kong and China, for instance, are dominated by mainland enterprises whose only serious competition is among themselves.

Several cities in China have formed their own shipping lines that enjoy berthing and warehousing priority in trade between Hong Kong and their own ports even over the state-owned China Ocean Shipping Co.

Beijing appears to be aware of the dangers inherent in having Hong Kong's economy dominated by Chinese enterprises. Prime Minister Zhao Ziyang said recently that Chinese investment in the territory ideally should not exceed 10 percent of the total.

**DAVID SCHLESINGER** writes for *Newsweek International*.



Liners in Hong Kong harbor.

# Pessimism Takes Bloom off Boom

Continued from page 9

1984, Britain has just finished a four-month opinion-gathering exercise to determine public views on the future Hong Kong government. The central issue is whether a portion of the lawmaking Legislative Council is to be subject to direct elections for the first time next year.

Britain is not expected to announce its final assessment of Hong Kong's political will for several months. Private public opinion polls, although they show a consistently high level of support for direct elections in 1988, appear to leave enough room for Britain to claim the territory is essentially divided on the issue, political analysts believe.

Even before the results of Britain's assessment are clear, however, there is an increasing sense that a decision to defer elections is likely to be made as a further sign of the colonial administration's weakness, these analysts indicate.

"What in reality we are presently arguing about in Hong Kong is a test of the credibility and authority of the colonial government and of the limits of tolerance of the Chinese government," Helmut Sothen, a legislative councillor and a prominent opponent of elections, said in a recent speech. "It is on this crucial point that opinions are divided and difficult to reconcile."

Is the current situation reversible? There are signs that Beijing is growing more concerned about the confrontational atmosphere it has helped create in Hong Kong, as well as the increasingly apparent "brain drain."

Xu Jiatao, Beijing's most senior representative in Hong Kong, has stressed "conciliation" in recent speeches and an end to "divisive-

ness." An article published last month in *Wide Angle*, a mainland monthly, suggested that Beijing has seriously erred in its approach to Hong Kong and has antagonized potential allies.

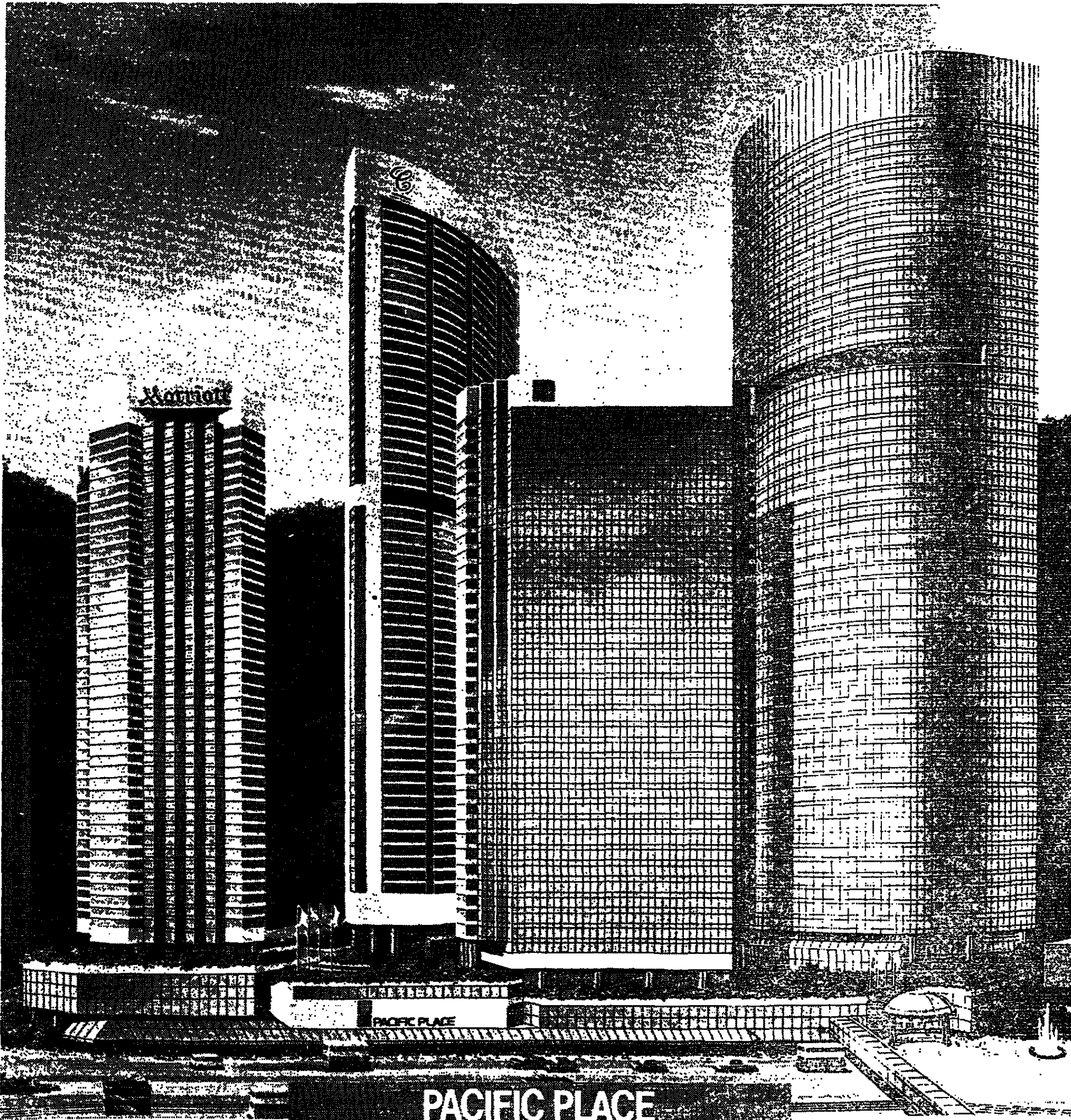
In practice, however, there is little indication of change in China's view of the territory or in its approach to the territory's transition period. The *Wide Angle* article, for instance, coincided with a blunt directive to the Bank of China's 10,000 employees in Hong Kong to voice opposition to direct elections.

In the Basic Law Drafting Committee, the Beijing-dominated body charged with producing Hong Kong's future constitution, the crucial issues of elections and the separation of executive and legislative power have been purposely deferred, according to political analysts, so that they can be decided after Britain assesses public responses to the proposals contained in its green paper.

What Hong Kong needs most of all, political analysts assert, is a display of commitment on Britain's part that will reverse the pessimism that is undermining the territory's social fabric and that will eventually affect the economy.

"The situation has deteriorated to the point where whatever we have in the future will depend entirely on what China decides to give us," said Christine Lo, chairman of the Hong Kong Observers, an influential political association. "How can we expect the Chinese Communists to provide stability and prosperity when they have never had either?"

**PATRICK L. SMITH**, a regular contributor to the *International Herald Tribune*, coordinated this Special Report.



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Vol.	High	Low	Last	Chg.
IBM	117.00	116.00	116.00	-1.00
AT&T	48.00	47.00	47.00	-1.00
Amgen	110.00	108.00	108.00	-2.00
Amgen	110.00	108.00	108.00	-2.00
Amgen	110.00	108.00	108.00	-2.00

Market Sales	
NYSE	1,277,000
Amex	1,000,000
NASDAQ	1,000,000
OTC	1,000,000
Total	4,277,000

NYSE Index				
High	Low	Open	Close	Chg.
117.00	116.00	117.00	116.00	-1.00

**Wednesday's NYSE Closing**  
Via The Associated Press

AMEX Diary				
Class	Prev.	Chg.	High	Low
Amex	1,000	0	1,000	1,000

NASDAQ Index				
Open	High	Low	Last	Chg.
2,412.70	2,412.70	2,412.70	2,412.70	0.00

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Amex	1,000	1,000	1,000	0

Dow Jones Bond Averages				
Stock	Yield	Price	Change	Volume
Govt	8.50	100.00	0.00	100
Corp	10.00	100.00	0.00	100

NYSE Diary				
Class	Prev.	Chg.	High	Low
NYSE	1,000	0	1,000	1,000

Odd-Lot Trading in N.Y.				
Buy	Sales	Chg.	High	Low
100	100	0	100	100

Dow Jones Averages				
Open	High	Low	Last	Chg.
2,412.70	2,412.70	2,412.70	2,412.70	0.00

Standard & Poor's Index				
High	Low	Open	Close	Chg.
345.00	345.00	345.00	345.00	0.00

Previous NASDAQ Diary				
Class	Prev.	Chg.	High	Low
NASDAQ	1,000	0	1,000	1,000

AMEX Stock Index				
High	Low	Open	Close	Chg.
345.00	345.00	345.00	345.00	0.00

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

# Dow Skids by Record 95 Points

**NEW YORK** — The Dow Jones industrial average plunged a record 95.46 points on Wednesday as stocks tumbled on news of a wider-than-expected August U.S. trade deficit.

The trade gap report revived inflation and interest-rate fears and left the widely followed blue-chip average at 2,412.70.

The plunge, which exceeded the Dow's previous record loss of 91.55 points on Oct. 6, amounted to 3.9 percent of the index's value.

Declining issues outpaced advances by more than 4-1. Volume rose to 209.13 million shares, from 172.9 million on Tuesday.

Prices dropped in moderate trading of over-the-counter and American Stock Exchange issues.

The government said that the U.S. trade deficit narrowed to \$15.68 billion in August from \$16.47 billion in July. The financial markets had expected a figure nearer \$14.5 billion.

"The markets are extremely demoralized and in disarray," said Hugh Johnson, head of the investment policy committee at First Albany Corp. "The trade data shook the confidence of the credit markets. The figures suggested that the dollar will decline further, that inflation will rise and that protectionist sentiment will be revived."

The market could drop as low as 2,200, he said, and the slide could last until the first quarter of 1988.

The trade news pushed the yield on the benchmark 30-year Treasury bond above 10 percent for the first time since 1985.

"The double-digit yields on long-term government bonds was a very negative psychological factor," Mr. Johnson said.

Futures-linked selling, which occurred when premiums on stock-index futures narrowed enough to make it profitable for traders to buy the futures while selling the underlying cash stocks, underlined the market's disappointment.

Traders said that many investors who have made profits in the stock market this year were willing to sell stocks and put those gains into bonds yielding 10 percent.

Traders said that the downward pressure overwhelmed positive reaction to any favorable earnings news.

"The volume does not show mass liquidation, but a matter of no bids," said Donald Crooks, an equity trader at Morgan Stanley & Co. "The way bonds reacted, there was no hope left from the opening bell." He said that the stock market could be "emotionally spent."

At 3 P.M. U.S. West was the most active NYSE-listed issue, easing 3/8 to 58 1/2. Tenneco followed, gaining on rumors it may consider a stock buy back.

IBM was third, falling 3/8 to 116. Other big losers included Merck, General Electric and American Express.

High	Low	Stock	Div.	Yield	PE	High	Low	Stock	Div.	Yield	PE	High	Low	Stock	Div.	Yield	PE
117.00	116.00	IBM	3.00	2.60	12.5	117.00	116.00	IBM	3.00	2.60	12.5	117.00	116.00	IBM	3.00	2.60	12.5
48.00	47.00	AT&T	1.00	2.10	14.3	48.00	47.00	AT&T	1.00	2.10	14.3	48.00	47.00	AT&T	1.00	2.10	14.3
110.00	108.00	Amgen	2.00	1.80	11.1	110.00	108.00	Amgen	2.00	1.80	11.1	110.00	108.00	Amgen	2.00	1.80	11.1

High	Low	Stock	Div.	Yield	PE	High	Low	Stock	Div.	Yield	PE	High	Low	Stock	Div.	Yield	PE
117.00	116.00	IBM	3.00	2.60	12.5	117.00	116.00	IBM	3.00	2.60	12.5	117.00	116.00	IBM	3.00	2.60	12.5
48.00	47.00	AT&T	1.00	2.10	14.3	48.00	47.00	AT&T	1.00	2.10	14.3	48.00	47.00	AT&T	1.00	2.10	14.3
110.00	108.00	Amgen	2.00	1.80	11.1	110.00	108.00	Amgen	2.00	1.80	11.1	110.00	108.00	Amgen	2.00	1.80	11.1

High	Low	Stock	Div.	Yield	PE	High	Low	Stock	Div.	Yield	PE	High	Low	Stock	Div.	Yield	PE
117.00	116.00	IBM	3.00	2.60	12.5	117.00	116.00	IBM	3.00	2.60	12.5	117.00	116.00	IBM	3.00	2.60	12.5
48.00	47.00	AT&T	1.00	2.10	14.3	48.00	47.00	AT&T	1.00	2.10	14.3	48.00	47.00	AT&T	1.00	2.10	14.3
110.00	108.00	Amgen	2.00	1.80	11.1	110.00	108.00	Amgen	2.00	1.80	11.1	110.00	108.00	Amgen	2.00	1.80	11.1

(Continued on next left-hand page)

سكنا ما لاصل



ECONOMIC SCENE

Domestic Rate Rise Seen In Bonn's New Tax Plan

By CARL GEWIRTZ International Herald Tribune

PARIS — If ever there were a painless tax you would think it would be the one West Germany is planning to introduce...

For investors in legal tax havens, the tax withheld is money lost.

However, not all of the income will be coming from taxpayers who previously had been cheating on their tax returns.

But since then, with the dollar falling in the foreign-exchange market and the Deutsche mark climbing, foreign holdings of fixed-income DM securities have risen.

Assuming average annual interest on this debt is 7 percent, the foreign interest income amounts to 14.7 billion DM a year...

IN THEORY, the government will have to give some of this back. Tax treaties that West Germany has signed with many governments should enable most foreigners to reclaim the tax.

Investors these days tend to be institutions rather than individuals and some of the biggest foreign institutional investors are bond funds and insurance companies.

For them, the tax withheld is money lost, and investments in domestic DM bonds lose their attraction.

Another group of institutional investors are pension funds, which normally do not pay tax. Their investment earnings are passed to the beneficiaries of these plans...

The bottom line is that many experts feel that the new tax will drive foreign investors as well as domestic investors out of the domestic DM bond market.

At a minimum, bankers assume, domestic rates will have to rise by at least an amount equal to the withholding tax.

If the level of public financing last year is a good barometer, about 80 billion in new public-sector gross debt can be expected this year.

See TAX, Page 17

CBS Unit's Sale Now In Doubt

Tisch Is Said To Balk on Sony

NEW YORK — CBS Inc.'s shares were down \$7 in late trading Wednesday following reports that Laurence A. Tisch, the company's chief executive, might oppose the sale of CBS Records to Sony Corp. for about \$2 billion.

A source close to Mr. Tisch told The New York Times that he was expected to oppose the sale of the record unit to Sony at a board meeting Wednesday.

Mr. Tisch, who formerly favored the sale of the non-broadcast assets of CBS, is now believed to prefer a spin-off of the record operation because the long-term tax implications would be less onerous than the sale to Sony.

If Mr. Tisch does not press for a sale of the CBS Records Group, it seems unlikely that the board, which has been reluctant to approve such a sale, would do so.

At least one longtime CBS observer said that Mr. Tisch might simply be hoping for a higher bid.

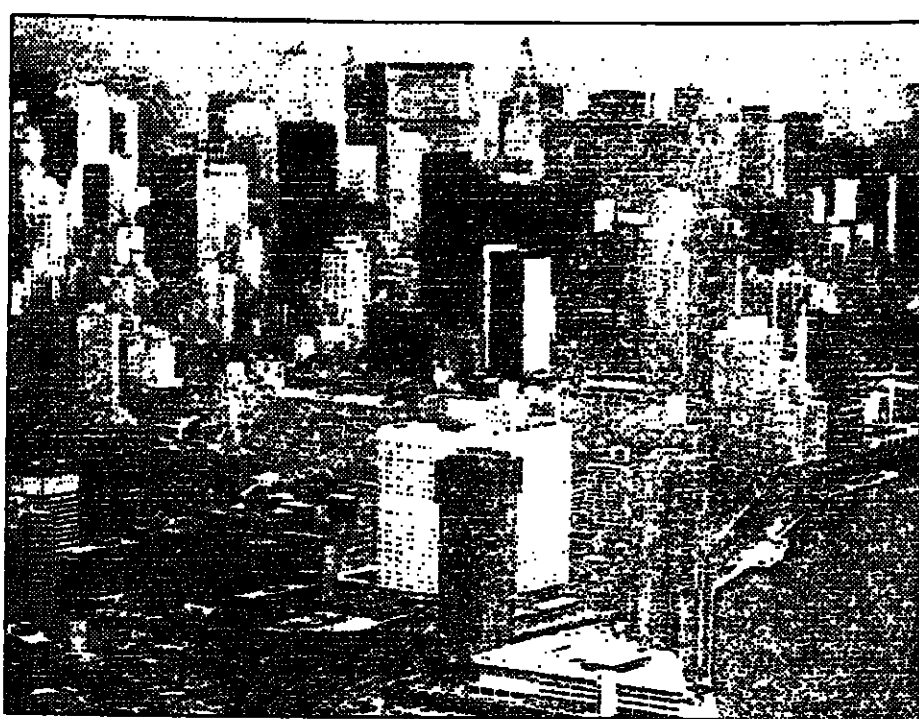
CBS said Wednesday that its third-quarter net profit, which amounted to \$2.31 a share, compared with \$2.8 million, or \$1.09 a share, in the third quarter of 1986.

CBS also said it expected to record an aftertax gain of \$177 million in the fourth quarter on the \$650 million sale of its magazine group, which was completed Oct. 1.

The company said that profit fell 18 percent at its CBS Broadcast Group in the third quarter, to \$39.4 million, from \$47.8 million a year earlier. The unit's revenue declined by 6 percent, to \$547.1 million.

Excluding unusual items, profit at the records unit more than doubled to \$42.4 million from \$19.2 million a year while revenue rose 22 percent to \$414 million.

(NYT, Reuters, AP)



The crowded Manhattan skyline: Huddled masses yearning for the right price.

For Japan, U.S. Is a Bargain Basement

Cheap Dollar Triggers Stampede for Stocks, Real Estate

By Margaret Shapiro Washington Post Service TOKYO — On the top floor of one of the swankiest department stores in Tokyo, salespeople are doing brisk business in a popular new product: American real estate.

With increasing frequency, doctors, executives and others lead through glossy photos and floor plans on display at Seibu department store and then spend hundreds of thousands of dollars, or more, to buy beachfront properties in Hawaii and high-rise apartments in Manhattan.

According to Kazuo Saito, a sales manager, these affluent Japanese are eager to "buy American" for the same reasons that investors, especially corporate ones, from Europe and elsewhere are buying up some of the best-known U.S. landmarks.

Viewed from abroad, the United States seems like a huge, wonderfully stocked discount store that is overflowing with bargains because of the depressed value of the dollar.

While Americans fret about the "hollowing out" of their industrial base and runaway budget and trade deficits, foreigners see a stable political system, an unfettered economy with inflation more or less under control and a huge, open marketplace up for grabs.

United States has grown from a stream into a flood. The trend has triggered a debate over whether these foreign purchases are helping the U.S. economy by creating jobs or hurting it by creating a Third World-like dependency on others.

Foreigners now own more than \$1 trillion worth of U.S. real estate, stocks and other goods, according to various estimates.

The British led the pack in total U.S. assets, followed by the Dutch and the Japanese. But most of the Japanese investment has occurred in only the last couple of years, in large part because the Japanese government severely restricted overseas investment until 1980.

Economists say it is probably only a matter of time before the Japanese take over the lead. At the most fundamental level, foreigners are drawn to the United States because, for all its ups and downs, it is seen as a bedrock of political and economic stability, according to executives, economists and banks in Japan and Europe.

"People in our country don't see the United States as safer in the short term, but they do see it as safer in terms of longer-term commitment to capitalism," said

Corp., one of the major purchasers of prime U.S. real estate, echoed that sentiment. "No other country in the world can accept foreign people and investment as freely as the U.S.," he said.

In the last few years, many others clearly have come to feel the same way. As the dollar has fallen by more than 40 percent against the yen, the Deutsche mark and other major currencies, foreign investment in the

United States has grown from a stream into a flood. The trend has triggered a debate over whether these foreign purchases are helping the U.S. economy by creating jobs or hurting it by creating a Third World-like dependency on others.

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Seabrook Utility To Default on Debt Payment

CONCORD, N.H. — A decision by the principal owner of the Seabrook nuclear plant to default on a \$37.5 million debt payment could be the utility's first move toward bankruptcy, industry analysts say.

In the first financial default by a major investor-owned electrical utility since the Depression, Public Service Co. of New Hampshire said Tuesday that Seabrook's costs would force it to skip more than \$37.5 million in interest and principal payments due on \$600 million of its bonds.

The company has 30 days to pay, during which time creditors are barred from taking action, said Charles Bayless, the company's financial vice president. Company officials said they hoped creditors would give a \$1.1 billion debt restructuring plan a chance to work.

The amount of Public Service's default is dwarfed by the \$2.1 billion default by the Washington Public Power Supply System, the largest in the history of the municipal bond market.

But the difference is that WPPSS, a joint operating agency formed in 1957 by the Washington state legislature to handle construction for public utilities, is not a utility. Rather, it is a consortium of 16 utilities.

State law prohibits utilities from charging for plants and other operations commercially, and Seabrook, although loaded with fuel, has been kept from starting by an ongoing evacuation planning and siting operation.

Public Service's \$2.1 billion share of the catastrophe has made it one of the most financially unscathed private utilities in the United States.

The utility's stock has plummeted more than 50 percent in the past year and a half, and it has not paid a dividend in three years. The stock closed unchanged at \$3 a share Tuesday on the New York Stock Exchange.

Dan Scott, a utility analyst with L.F. Rothschild of New York, said the default would prompt investors to reassess investments in utilities. "This is a real major event," he said. "There's been a real strong belief in the analytical community that utilities don't default."

"It's going to send people back to the drawing board and look differently at utilities, the same way people looked differently at utilities after Three Mile Island," Mr. Scott said, referring to the Pennsylvania plant that in 1979 was the site of the worst commercial nuclear accident in the United States.

Steven Davis, president of Con-

solidated Utilities & Communications Inc., a New York-based group of bondholders that has presented its own bailout plan for Public Service, said he had expected the default.

"It reflects the difficult cash position that they're in, and I suppose it's also meant to be a signal that they really do believe they need cash," he said.

Seabrook is owned by 12 utilities and holding companies. Public Service is the majority owner, with 55.6 percent.

Ground for the plant was broken in 1976, when the total cost was estimated at \$2 billion. Since then Seabrook has been halved in size by the cancellation of one of its two proposed reactors but the price tag has risen to \$5 billion.

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Currency Rates

Table with columns for Currency, Bid, Ask, and other rates for various international currencies like British Pound, Swiss Franc, etc.

Other Dollar Values

Table showing dollar values for various currencies like Canadian Dollar, Australian Dollar, etc.

Forward Rates

Table showing forward rates for various currencies and time periods.

Interest Rates

Table showing interest rates for various currencies and terms.

Key Money Rates

Table showing key money rates for various currencies.

Asian Dollar Deposits

Table showing Asian dollar deposits for various Asian currencies.

U.S. Money Market Funds

Table showing U.S. money market funds and their yields.

Gold

Table showing gold prices in various currencies.

Magnate Charged in Guinness Case

LONDON — Gerald Ronson, one of Britain's richest businessmen, appeared in court on Wednesday to hear eight charges brought against him in connection with his involvement in Guinness PLC's takeover of Distillers Co.

He was released on £500,000 (\$825,000) bail and ordered to surrender his passport. The fourth person arrested in connection with the Guinness affair, Mr. Ronson is charged with theft of £6 million, conspiring to create a false market in shares and unlawful share indemnity.

He faces another hearing on Nov. 6. Mr. Ronson, 48, is chairman of Heron International PLC, a real estate and financial services company he built from scratch. It has about £1 billion in assets, including gasoline stations and other property, according to press reports.

"My client is adamant that at no time did he act dishonestly, but he has done so," Mr. Ronson's lawyer, Tim Cassel, said in Bow Street Magistrates Court.

Officials are investigating allegations that Guinness, the British-Irish brewing conglomerate, improperly inflated its share price during its £2.7 billion takeover last year of Distillers, which makes Scotch whisky and gin.

Guinness, fighting off a counterbid from Argyll Group PLC, the supermarket chain, offered to trade its shares for Distillers stock. The higher its share price, the more attractive was its offer.

Ernest Saunders, 51, forced to step down as Guinness' chief executive in January, was charged Tuesday with a further 37 offenses relating to the takeover, said on Thursday, police arrested Sir Jack Lyons, 71, an adviser to Guinness' consultant during the bid. They, like Mr. Ronson, are free on bail.

Britain is also seeking the extradition from the United States of a fourth man, Anthony Parnes, to face fraud charges. He is being held in Los Angeles. (Reuters, AP)

Argentina Introduces Tough Austerity Plan

BUENOS AIRES — The government of President Raul Alfonsin imposed Wednesday a series of austerity measures and monetary changes designed to turn back rampant inflation and regain the confidence of investors and international bankers.

The measures mean higher prices for basic services to consumers but makes important concessions to the International Monetary Fund to ensure future international financing.

Among the measures are a devaluation of the Argentine currency, the austral, by 11.8 percent; a freeze on most prices; the establishment of a free-market exchange rate for financial transactions, and the freeing of interest rates from government ceilings.

It raised gasoline prices, however, and increased public services prices by 15 percent. A series of new taxes was also proposed.

Mr. Alfonsin was scheduled to deliver a television speech to the nation Wednesday night to explain the toughest austerity plan the country has had since the Depression of the 1930s.

Most of the measures take effect immediately. Bank holidays were declared Tuesday and Wednesday to give financial institutions time to adjust to the measures.

Taiwan Will Cut 3,500 Tariffs to Reduce Surplus

TAIPEI — Taiwan will slash tariffs on about 3,500 products by an average of 50 percent in January to help reduce its trade surplus, particularly with the United States, the Finance Ministry said Wednesday.

Lai In-juw, director of the ministry's customs office, estimated that the government would lose about 10 billion Taiwan dollars (\$333.6 million) in annual revenue as a result of the cuts. In 1986, import tax revenue amounted to \$2.5 billion.

The reduced tariffs on products such as anti-pollution equipment, shoes and chocolates meet most demands by the United States and Europe, Mr. Lai said. Of the 267 items targeted in August by U.S. trade representatives, about 240 were included in the plan.

Taiwan's surplus with the United States rose to \$12.47 billion through September, from \$9.87 billion a year earlier. Its surplus with Western Europe nearly doubled in the period, to \$1.95 billion. (Reuters, AP)

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Most of the measures take effect immediately. Bank holidays were declared Tuesday and Wednesday to give financial institutions time to adjust to the measures.

The new taxes, which must be approved by Congress, include higher taxes on checks, income and net worth and a mandatory savings plan.

Inflation now is running at 136 percent a year, far above guidelines agreed upon earlier this year in a stabilization program with the IMF. Argentina is under great pressure from the IMF to reduce its budget deficit and money supply to qualify for approximately \$700

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Comecon Approves Plan On Currency Conversion

MOSCOW — A special session of Comecon, the Soviet-bloc trade organization, has approved plans for converting national currencies in mutual trading, officials announced Wednesday.

Yuri Shirayev, an official of Comecon's secretariat, said at the end of the two-day session that the group had made the "main decision" about conversion, although "this process requires special preparation."

The meeting was attended by government heads and Central Committee secretaries from the 10-nation Council for Mutual Economic Assistance.

Mr. Shirayev said that the transferable ruble used now in trading within Comecon would still be used "in most cases." Joint ventures would be the main enterprises to use the new system, he said.

Soviet economists have called for mutually convertible currencies to replace the complex transferable-ruble method within Comecon. This would be a first step toward a freely convertible ruble on world markets.

But within Comecon fears have already arisen about the impact of

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Advertisement for CORUM watches, featuring a large image of a watch and text: 'CORUM Admiral's Cup An exclusive creation of watchmaking art. In London GARRARD The Crown Jewellers 112 REGENT STREET LONDON W1A 2JH TEL 01744 7010 And at the finest jewellers in the world. For information, write to: Corum, rue du Petit-Chateau, 2300 La Chaux-de-Fonds, Switzerland.'

Advertisement for Hutton Managed Currencies Program, featuring a large image of a watch and text: 'Hutton MANAGED CURRENCIES PROGRAM PERFORMANCE RESULT FOR BEGINNING EQUITY OF \$ 20,000 JANUARY 1st 1987 HAS BECOME \$ 31,997 OCTOBER 1st, 1987 AFTER ALL COMMISSIONS NEXT RESULT IN NOVEMBER 1st ISSUE. THERE IS NO MANAGEMENT FEE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE. Office contact Olivier Dufour First Vice President. Hutton 43 Avenue Marceau 75116 PARIS - FRANCE Tel: 47 23 61 51 Telex: 63975 Fax: 422970. FOR NON-FRENCH RESIDENTS ONLY. Amsterdam, 7th October 1987.'

Source: Reuters, Bank of Tokyo, Commercial, Credit Lyonnais.

Source: Reuters.

Source: Reuters, AP.

Source: Reuters, AP.



**Wednesday's NYSE Closing**

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

**(Continued)**

12 Month High	Low	Stock	Div. Yld. PE	52 High	Low	Close	Chg.
100	100	IBM	4.2 15	100	100	100	0
100	100	Microsoft	1.0 15	100	100	100	0
100	100	Apple	1.0 15	100	100	100	0
100	100	Oracle	1.0 15	100	100	100	0
100	100	Unisys	1.0 15	100	100	100	0
100	100	Qatar	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0

**(Continued)**

12 Month High	Low	Stock	Div. Yld. PE	52 High	Low	Close	Chg.
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0

**(Continued)**

12 Month High	Low	Stock	Div. Yld. PE	52 High	Low	Close	Chg.
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0

**(Continued)**

12 Month High	Low	Stock	Div. Yld. PE	52 High	Low	Close	Chg.
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0

**(Continued)**

12 Month High	Low	Stock	Div. Yld. PE	52 High	Low	Close	Chg.
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Grains**

**WHEAT (CBT)**  
1200 bu minimum - dollars per bushel

1200	1200	1200	1200	1200	1200	1200	0
1200	1200	1200	1200	1200	1200	1200	0
1200	1200	1200	1200	1200	1200	1200	0
1200	1200	1200	1200	1200	1200	1200	0
1200	1200	1200	1200	1200	1200	1200	0

**NYSE High-Lows**

NEW HIGHS 5

100	100	IBM	4.2 15	100	100	100	0
100	100	Microsoft	1.0 15	100	100	100	0
100	100	Apple	1.0 15	100	100	100	0
100	100	Oracle	1.0 15	100	100	100	0
100	100	Unisys	1.0 15	100	100	100	0

**AMEX High-Lows**

NEW HIGHS 4

100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0
100	100	Amgen	1.0 15	100	100	100	0
100	100	Genentech	1.0 15	100	100	100	0

**Company Results**

Revenue and profits in millions, are in local currencies unless otherwise indicated.

**United States**

**Alexander & Baldwin**

1987	1986	1985
Revenue	11.1	10.8
Net Inc.	1.1	1.0
Per Share	0.7	0.6

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Food**

**COFFEE (NYCSE)**  
112,000 lbs. - cents per lb.

112000	112000	112000	112000	112000	112000	112000	0
112000	112000	112000	112000	112000	112000	112000	0
112000	112000	112000	112000	112000	112000	112000	0
112000	112000	112000	112000	112000	112000	112000	0
112000	112000	112000	112000	112000	112000	112000	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Metals**

**COPPER (COMEX)**  
36,000 lbs. - cents per lb.

36000	36000	36000	36000	36000	36000	36000	0
36000	36000	36000	36000	36000	36000	36000	0
36000	36000	36000	36000	36000	36000	36000	0
36000	36000	36000	36000	36000	36000	36000	0
36000	36000	36000	36000	36000	36000	36000	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Stock Indexes**

**SP COMP. INDEX (CME)**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Stock Indexes**

**MOODY'S**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
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**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
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100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Stock Indexes**

**MOODY'S**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
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100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	100	100	100	100	100	100	0
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**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

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100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
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100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Stock Indexes**

**MOODY'S**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
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**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	100	100	100	100	100	100	0
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**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0
100	100	100	100	100	100	100	0

**U.S. Futures**  
Via The Associated Press

Oct. 14

Season High Season Low Open High Low Close Chg.

**Commodity Options**

**PHILADELPHIA EXCHANGE**

100	1
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**BUSINESS ROUNDUP**

**Chemical Posts Loss Of \$66.4 Million After Restructuring Write-Off**

**Reuters**  
**NEW YORK** — Chemical New York Corp., the fourth-largest U.S. bank holding company, said Wednesday that it had a net loss of \$66.4 million in the third quarter after a one-time charge related to a restructuring.

The result compared with a profit of \$99.1 million, or a \$1.87 a share, in the third quarter of 1986.

Chemical had projected the loss last month in announcing that it was taking a \$135 million pretax charge to cover severance pay and other expenses linked to reductions in the its work force.

Meanwhile, Chemical's Canadi-

an unit said Wednesday that it was halting its securities trading and that it had shifted its foreign exchange trading to Chemical Bank in New York, the holding company's principal subsidiary.

There is much more economy of scale if you do some of those activities out of New York as opposed to Toronto," said Peter Pollack, Chemical Canada's president. He said it was unclear how many of the Canadian bank's 94 employees would be affected by the move.

Chemical's global restructuring includes the sale of some businesses, a reduction in its overseas operations and the closing of a number of domestic retail branches. Ten percent of the staff, or about 2,100 employees, will be reduced through attrition, layoffs and voluntary retirement.

The company has said that the restructuring will boost its earnings by about \$150 million a year, with the impact of some of its actions to be reflected in its 1987 results.

The operations of Texas Commerce Bancshares Inc. of Houston, which merged with Chemical in May, were not included in the restructuring.

In addition to the \$135 million charge, Chemical said that the third-quarter loss resulted from higher non-interest expenses and lower gains on sales of investment securities.

Those factors were offset somewhat by increases in net interest income, other income, fees from banking services and profits from currency trading, as well as a smaller provision for loan losses.

For the nine months ended Sept. 30, Chemical posted a loss of \$1.08 billion, compared with a \$300 million profit in the year-earlier period.

**Cable TV Merger In U.S. Totals \$480 Million**

**The Associated Press**  
**BEVERLY, Massachusetts** — American Cablesystems Corp. said Wednesday that it has agreed to be acquired by Continental Cablevision Inc., its Boston-based cable TV competitor, for \$481.7 million.

American Cablesystems shareholders would receive \$46.50 for each of the 10.36 million class A and B shares.

American Cablesystems, through its subsidiaries and affiliates, operates cable television systems in California, Florida, Illinois, Massachusetts and New York and has about 805,000 subscribers.

Continental Cablevision, the third-largest U.S. cable company, serves about 1.5 million subscribers in 13 states.

Continental Cablevision, the third-largest U.S. cable company, serves about 1.5 million subscribers in 13 states.

**Control Data Unit to Unveil Low-Priced Supercomputers**

**By Jacques Neher**  
*Special to the Herald Tribune*  
**PARIS** — ETA Systems Inc., a subsidiary of Control Data Corp., is expected to unveil a line of low-priced supercomputers on Thursday in presentations planned in Paris and New York.

Industry analysts predicted that ETA would introduce two or three high-performance supercomputers that would be priced in the \$1 million to \$2 million range, a market segment that currently does not exist.

They said the line would help ETA compete against Cray Research Inc. in the United States, the world's pre-eminent maker of supercomputers, in addition to three Japanese companies that market the units. Supercomputers, typically priced from \$2.5 million to \$20 million, are used for scientific and engineering applications that require immense number-crunching abilities.

The new line, code-named Piper, is expected to fill the gap between the high-end supercomputers and so-called mini-supercomputers, which are priced from \$100,000.

ETA, a company formed by Control Data in 1984 to develop supercomputers, in April introduced its first high-end product, the ETA-10, priced at around \$12.5 million. The machine is designed to process 10 billion calculations a second.

So far, ETA has sold six ETA-10s, mostly to universities and weather forecasting services, but it has completed only one installation, at Florida State University. A seventh order is expected to be announced on Thursday by the Tokyo Institute of Technology.

While the ETA-10's processors need to be immersed in liquid nitrogen at minus 195 degrees centigrade (minus 382 Fahrenheit) to keep them running efficiently, the new line is expected to use similar processors along with an air-cooling system.

"ETA's strategy is to toss out a fishnet to get as many people as possible into ETA's computer architecture so that they may eventually migrate up to the ETA-10," said Gary Smaby, who follows the supercomputer industry for the Minneapolis stockbrokerage firm of Piper, Jaffray & Hopwood Inc. ETA and Cray are both based in that city.

The analysis said the success of the product would depend on the availability of software as well as its adaptability to the Unix networking standard.

Control Data's computer systems and services group, which includes ETA, incurred "significant losses" in 1986 as revenues dipped to \$1.30 billion from \$1.38 billion, according to the company. The parent company reported a loss last year of \$264.5 million, following a loss in 1985 of \$567.5 million.

**Colgate Plans Streamlining, Big Write-Off**

**The Associated Press**  
**NEW YORK** — Colgate-Palmolive Co., a leading U.S. maker of soap and health care products, unveiled a restructuring plan Wednesday under which it will take a \$211 million pretax charge, sell two businesses, close six factories and eliminate 600 jobs.

The company said that the restructuring would result in an unspecified loss for the third quarter ended Sept. 30 but not necessarily a loss for the full year. Colgate reported a profit of \$48.1 million in the third quarter of 1986.

Colgate said the job cuts would affect operations across the United States. Its Kendall division will sell two fiber units for about \$200 million.

The Fiber Products division, which makes nonwoven fabrics for consumer and industrial use, will be sold to International Paper Co. In addition, Kendall will sell to its partner, Freudenberg Group of West Germany, Kendall's interest in Luttrill Co., which makes nonwoven products for industry.

Colgate will reconfigure 30 plants worldwide to streamline its manufacturing. Of those, six plants will be closed, but the statement did not specify their locations.

The company said that efforts to reduce costs over the past three years had exceeded its expectations, but that "maintaining momentum is vital."

ETA's strategy is to toss out a fishnet to get as many people as possible into ETA's computer architecture so that they may eventually migrate up to the ETA-10," said Gary Smaby, who follows the supercomputer industry for the Minneapolis stockbrokerage firm of Piper, Jaffray & Hopwood Inc. ETA and Cray are both based in that city.

**Fokker Shares Plunge 14%**

**United Press International**  
**THE HAGUE** — Trading in Fokker NV resumed Wednesday on the Amsterdam Stock Exchange, and shares plunged 7 guilders to 43 guilders (\$21), or 14% of their value, after being suspended Tuesday. The aircraft maker is seeking support from banks and the Dutch government.

**Domino Effect**

Just as the crash-and-depression fears were attracting attention in late September, Ford decided to spend \$800 million on a computer-integrated engine facility-granting Gould Inc. one of the early multi-million contracts. Ford and Caterpillar were among companies which had already decided to take this leap, and now watch the domino effect take over as America beats the heart-voiced automation. With phone or telex for complementary coverage.

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 Telephone 34-32-343030 - Telex 79421.

**Bull's President Says Dip in Profit and Sales Is a Temporary Problem**

**Reuters**  
**PARIS** — Compagnie des Machines Bull, France's government-owned computer maker, is on course to a stronger balance sheet despite lower first-half profits and a continued weak short-term sales outlook, according to the group's president, Jacques Stern.

In an interview, Mr. Stern acknowledged that this year's sales are below target. "We fixed a target range for growth in 1987 at the beginning of the year," he said, "and know now that we will not be within the lower limits."

But "once out of this phase, two or three years on," he added, "we will move into a period of exceptional growth."

Bull's profit plunged to 36 million francs (just under \$6 million) in the first

half from 144 million francs in the like 1986 period, although revenue, at 7.82 billion francs, was barely changed from 7.85 billion.

Bull, nationalized in 1982, was restructured by the French government as its high-technology flagship and, since then, the group has slowly pulled out of the red. In 1986, it showed a profit of 271 million francs, up 146 percent from 1985 and a strong reversal from a loss of 625 million francs in 1983. It also made a bid for a bigger share of the world market this year when it formed a joint venture with Honeywell Inc.'s Information Systems Division and NEC Corp.

But Mr. Stern said the growth had slackened in the first half of this year because of a sales slowdown in France,

which accounts for two-thirds of revenue. He attributed this slowdown in demand, in turn, to changes in the domestic computer industry.

First came hatch processing, when computers were isolated in their functions and worked on one load of information at a time. The second generation brought computers "on-line," linking individual machines to a central system.

"Now we're evolving towards the generation of information distribution, where all systems participate in a network," Mr. Stern said. But the continued lack of internationally accepted standards for this development is slowing down the entire industry, he warned.

Once an international information net-

work is built, he added, demand will explode.

In the meantime, Mr. Stern said, Bull will continue to pursue its strategy of aiming at a more solid financial base.

"The evolution of both the market and the technology make us think our long-term strategy is right," said the man who has headed Bull since 1982 and is credited with its turnaround. "In spite of the uncertainties of the market, we have to keep our sang-froid."

An important factor in that plan has been recapitalization. From 1983 to 1986, it received 3.7 billion francs from the state.

This, together with Bull's improved cash flow, reduced Bull's debt-to-equity

ratio to 1.6 last year from 8 in 1983. "Our aim is a ratio of 1 by 1990 and we should reach it," Mr. Stern said.

The improvement in Bull's balance sheet could bring privatization closer, but Mr. Stern rules out an immediate public offering. The group appears on the list of 65 companies due to be privatized by Jacques Chirac's government, but no date has yet been set for a sale.

Meanwhile Bull is preparing for a fuller presence on stock markets.

In March, the group issued an 800 million franc stock-option bond on financial markets, shortly after the government established a "golden share" clause on Bull shares which retains state control over the company.

**A**n electronic stock market. An international network of computers through which shares are electronically traded with incredible speed.

The market is NASDAQ, and the network was built with Unisys equipment. The National Association of Securities Dealers Automatic Quotation

system was founded in 1971. By 1978, daily volume was 11 million shares.

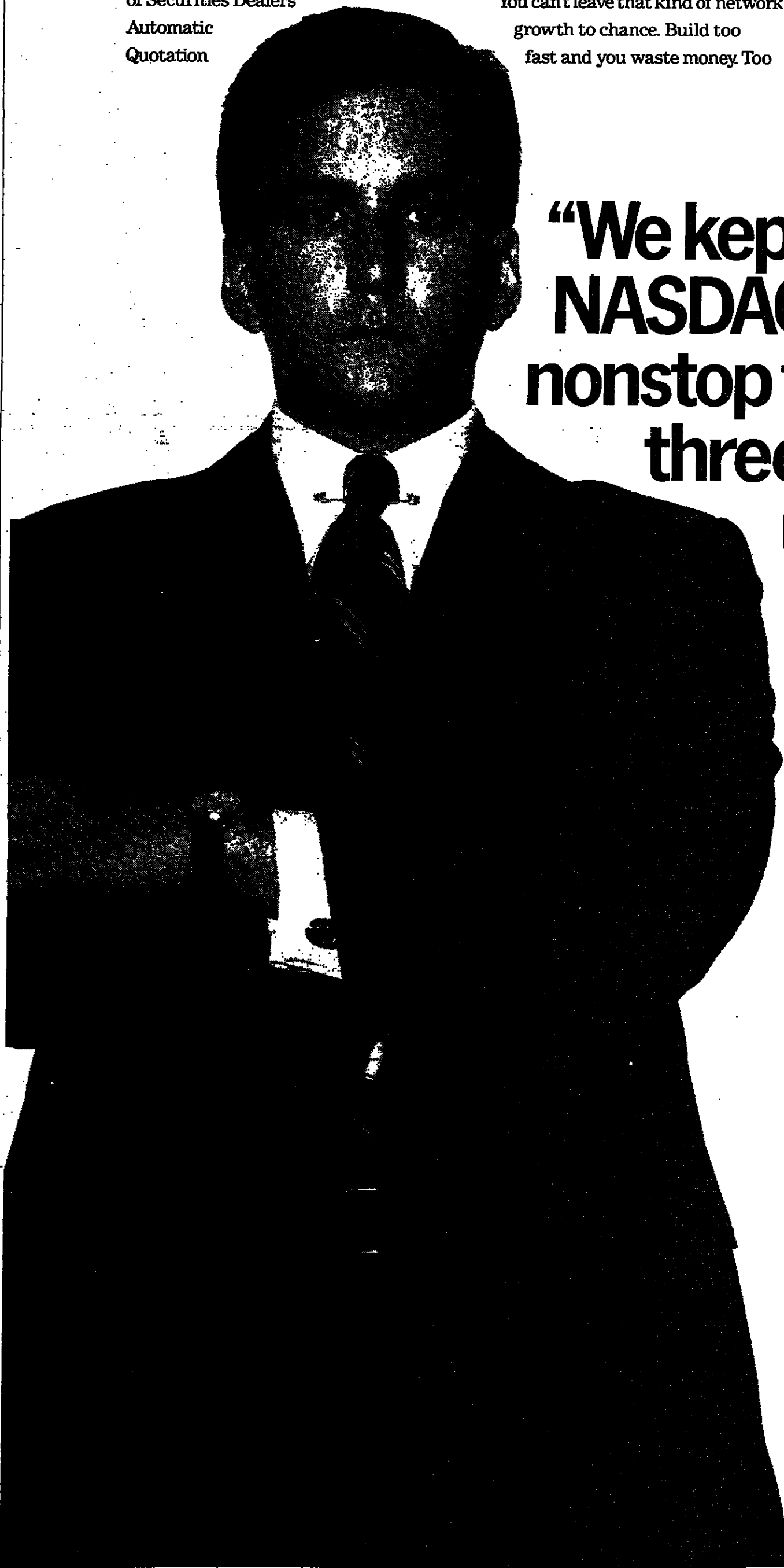
Now, in 1987, an average of 155 million shares a day are traded on a network of 3,000 terminals over a 6 million square mile trading floor. Uptime for the central Unisys computer is 99.92%.

"You can't leave that kind of network growth to chance. Build too fast and you waste money. Too

slowly and you compromise service," says Sam Vail. His Unisys team is responsible for helping NASDAQ plan and manage the network growth.

"We've been through three generations of equipment without once stopping for software conversions," Sam proudly points out. "Unisys systems grow right alongside the customer. I guess that's what the power of 2 means."

Unisys and NASDAQ. The power of 2.



**"We kept NASDAQ running nonstop through three major upgrades."**

Sam Vail, Account Executive, Unisys.

**UNISYS**  
 The power of 2

**Weekly net asset value**  
**Leveraged Capital Holdings N.V.**  
 on 12-10-1987 US \$308.37  
 Listed on the Amsterdam Stock Exchange  
 Information: Persoon, Helling & Pouson N.V. Herengracht 214, 1016 BS Amsterdam. Tel. + 31 - 20 - 211188.

**Weekly net asset value on**  
**Energy Resources Growth Fund**  
 9-10-1987 US \$43.17  
 Listed on the Amsterdam Stock Exchange  
 Information: Persoon, Helling & Pouson N.V. Herengracht 214, 1016 BS Amsterdam. Tel. + 31 - 20 - 211188.

ATIONAL MARKETS







CURRENCY MARKETS

Dollar Weakens on U.S. Trade Data

LONDON — The dollar ended lower Wednesday in Europe after the release of U.S. trade data, but most dealers said that its fall was remarkably moderate considering the extent of the \$15.68 billion monthly deficit.

Table with columns: City, Bid, Ask, Spread. Includes London Dollar Rates for various currencies like Deutsche mark, Pound sterling, Japanese yen, Swiss franc, French franc.

Although the August shortfall in merchandise trade was below July's record level of \$16.47 billion, it was much worse than a median forecast of \$14.5 billion, dealers said.

In London, the dollar shed about 1.50 West German pfennigs and 1.50 Japanese yen after the news. But it recouped some of its losses to end at 1,810 Deutsche marks, down from 1,820 Tuesday, and at 142.65 yen, down from 143.70.

The dollar also lost ground against the British pound, which closed at \$1.6335, against \$1.6470 on Tuesday.

The dollar hit lows at 1,870 DM and 142.35 yen during the afternoon but found strong technical support around those levels. Fears of central bank intervention also helped the currency, dealers said, noting that intervention was not evident.

Activity dwindled afterward. "People here do not know what to do," said the chief dealer at one U.S. bank. "If a number like that can't push the dollar down, what can?" he added.

But traders seeking a decline in the dollar did not give up hope. "We might see the dollar dipping overnight, when the market is less liquid than when European and American traders are both in," one U.S. dealer said.

He predicted that the dollar in the next few weeks would trade in lower ranges, of 1.78 to 1.83 DM and 139 to 144 yen.

Another noted that Japan's trade report for last month showed a widening of its surplus with the United States. "But for the moment, central banks are winning," he said.

Others predicted the dollar would continue to find strong support at current levels. "There are a lot of people short on dollars, ready

to do some bargain hunting," one said.

In New York, the dollar was lower at midsession on the U.S. trade data. But dealers said that the dollar was steady at the lower levels, having garnered some strength from technical support and worries about possible central bank intervention.

Still, the August deficit encouraged bearish sentiment.

"We will test the down side," one dealer said. "It's just a matter of time." The dollar was trading at 1,810.75 DM, down from 1,825.00 DM at Tuesday's close, and at 142.525 yen, down from 143.900.

Rumors of Federal Reserve intervention in support of the dollar circulated in the market. But some dealers dismissed the rumors, saying they could cite no evidence of such action.

The dollar's ability to remain relatively stable throughout the morning left some dealers unsure about its near-term trend.

"I want to say down," said one dealer, "but we should take some guidance from what we've seen so far." After its initial fall, the dollar hovered around 1.81 DM for most of the morning in New York. In early afternoon trading, however, it began to ease back toward level.

The pound weakened against most major currencies in Europe because of the dollar's softer tone.

In early European trading, the dollar was fixed in Frankfurt at 1.8228 DM, up from 1.8234 DM Tuesday, and in Paris at 6.0330 French francs, down from 6.0660.

It closed in Zurich at 1,5010 Swiss francs, down from 1,5090.

Bundesbank Repurchase Rate Rises to 3.85%

FRANKFURT — The Bundesbank's repurchase rate, an indication of the trend of West German interest rates, rose to 3.85 percent at Wednesday's tender from the 3.75 percent rate at last week's tender, a spokesman said.

The central bank accepted bids for 13.8 billion Deutsche marks (\$7.6 billion) in 28-day securities at a rate of 3.85 percent. The tender had been offered at a minimum bid rate of 3.60 percent, identical to last week.

The Bundesbank has used a competitive system for its last two securities repurchase rate tenders, resulting in a rise in the allocation rate to 3.75 percent last week from 3.60 percent in August and most of September.

INVESTMENT: To Foreigners, U.S. Seems Like a Vast Discount Store

(Continued from first finance page) An economist at Commerzbank AG in Frankfurt. "There is no danger of nationalization. There is no danger of socialist government. We have seen such things in Europe."

But it is the bottom line that ultimately determines where dollars go, foreign experts said, and no country can compete with the United States when it comes to the sheer number of choices for investment. "The variety of the possibilities — stocks, bonds, real estate — cannot be matched anywhere else and the volume is so good," said Mitsubishi Hashimoto, manager of Japan's Long Term Credit Bank.

In Europe, said Mr. Buytaert Prudentia-Baehr, "There's so much money available and so few places to put it."

Markets outside the United States "are smaller, so if you buy a big amount and then sell it may cause the market to drop and hurt your investment," said Hiroshi Kuratori, manager of the Nomura Securities Co. division that handles bond transactions, the major focus of Japanese investment.

According to Mr. Hashimoto, Japanese are investing in many other countries, including Canada, Britain and Australia. But Japanese investment in the United States is 10 times that of all the other countries combined.

Most foreign investment in the United States is in stocks and bonds, a major reason why the stock market has climbed so high the last few years and U.S. interest rates are so low. Yields in those areas are much higher than foreigners can find at home.

In Japan, for example, government bonds until recently were paying about half of what the U.S. Treasury was offering. Even the stability of the dollar, which has cost many foreign holders of long-term bonds a lot of money, has not yet caused foreigners to slow their purchases.

Although the Tokyo stock market has hit record highs and might offer a worthy alternative, its increases have been a bit too dramatic, prompting concerns of a crash. Foreigners also are attracted to

U.S. real estate because they can make more money in rents or through appreciation of value there than they can on property purchased at home.

Compared with Tokyo, Manhat-

tan and Los Angeles look cheap, which may explain why Shwua and other Japanese real estate and insurance companies have paid more than top dollar recently for the Tiffany & Co. building and Exxon Corp.'s headquarters.

Citigroup announced this month it would sell parts of two buildings in its headquarters complex to Japan's Dai-ichi Mutual Life Insurance Co. for \$670 million, the highest price ever paid for Manhattan real estate.

"In Japan there are very few interesting properties available," said Kensuke Tanaka, owner of a Tokyo real estate company.

States. But they are the most visible and have prompted concern about foreign investment in general. In Hawaii, where many hotels, country clubs and businesses have been purchased by Japanese and other foreign investors, newspapers and radio stations have dwelled on the issue.

"There really are two different sides," said an aide to Senator Spark M. Matsunaga, Democrat of Hawaii. "There is the view that investment is good for the economy. But there is some fear that Hawaii will become a colony. And there is some concern that the investment doesn't benefit the community at large."

"I think there certainly are negative implications," said Kenneth B. Pyle, a University of Washington professor who has examined the issue. When a foreign company buys a U.S. company it may increase employment, but very often "the most desirable jobs are probably not going to be here in the United States," he said.

It is estimated that British, Japanese and other foreigners now own nearly half of the downtown office space in Los Angeles, more than 15 percent in Atlanta, Denver, San Francisco and Miami and more than 10 percent in Washington.

The splashy real estate purchases, along with a few high-profile company takeovers, are in fact only a small percentage of total foreign investment in the United States. But they are the most visible and have prompted concern about foreign investment in general.

Such a development, he added, would produce a "significant impact on the trade surplus."

TRADE: U.S. Deficit Shrinks but Drives Down Stocks

(Continued from Page 1) figures "are a bit better than the market is showing." He said that difference "reflects the way financial markets and the industrial economy have become decoupled and are moving on somewhat different paths."

The Commerce Department said imports fell 4.2 percent to \$35.9 billion, nearly all of it in manufactured goods and agricultural products. Exports also fell, by 3.7 percent to \$20.2 billion, their lowest level since February, the report said.

Mr. Sinai pointed to "encouraging aspects" in the August numbers, including a \$1.4 billion drop in imports of manufactured products that was spread through most sectors of industry. The deficit also lessened with all but three major trading U.S. partners: Canada, from \$645 million in July to \$939 million in August; Brazil, from \$87

million to \$526 million, and Venezuela, from \$207 million to \$272 million.

The \$4.9 billion deficit with Japan, down from \$5.1 billion in July, remained the United States' largest. Other large trade deficits were Western Europe, \$2.5 billion, down from \$3.9 billion; South Korea, \$900 million, down from \$1.1 billion, and Hong Kong, \$719 million, down slightly from July's \$725 million.

The deficit with Taiwan was \$1.79 billion, down from \$1.83 billion (Page 13).

The Reagan administration, trying to put the best face on the trade picture, pointed to increases in the volume of U.S. exports, as measured by dollars adjusted to reflect a constant value and seasonal changes, as evidence of an improvement.

"The real trade balance, which reflects our growth in production and employment, has improved sharply since the third quarter of

1986 and should continue to make strong gains," said Bruce Smart Jr., the acting secretary of commerce.

Clayton K. Yeutter, the U.S. trade representative, said, "The trade deficit is still too high. We will continue working with our trading partners to reduce barriers and to improve fundamental economic conditions that contribute to global trade imbalances."

Mr. Jastrowski said reports from members of his association showed that the manufacturing sector of the economy was coming back and improvements in trade were spurring a modest firming of growth.

Although total August exports declined \$800 million, most of the reduction came in one sector: the volatile international market in aircraft sales, which fell by \$600 million. Without that decline, he said, there would have been a \$400 million improvement in manufacturing exports.

TAX: Domestic Rate Rise Is Seen in Bonn's New Plan

(Continued from first finance page) by communal authorities. Thus, an increase of 0.7 percentage point in interest would raise the cost of the debt by just over 1 billion DM.

Hans Baer, a Zurich banker, said that such a rise in rates might cause West Germany's already anemic rate of expansion to slow down even more. He worries that this could far outweigh the benefits anticipated from the rise in consumer spending.

Some bankers also fear that as West German interest rates increase, the level of U.S. interest rates will also be pushed higher. If, as at present, the foreign-exchange market requires a 4-percentage-point difference between mark and dollar interest rates to stabilize the two currencies, then a rise in the level of DM rates would have to be matched by the United States.

However, economists dispute this assumption, saying that a narrowing differential because of tax

distortions would not affect the foreign-exchange market.

The net impact on Germany's economy from the tax moves is still the subject of considerable speculation. Economists report that they cannot fully estimate the impact until all the details have been spelled out.

Peter Trapp, head of business-cycle forecasting at the Institut für Weltwirtschaft in Kiel, estimates that the proposed changes in taxes will produce a net overall reduction of 25 billion DM by 1990.

He sees this giving a "significant boost" to private consumption — a rise of about 1 percent in 1990 and slightly more in 1991. In turn, he believes, this would contribute to narrowing the nation's trade surplus, which he predicted would already have started shrinking in nominal terms by next year.

That is the object of the whole exercise, West Germany's trading partners, led by the United States,

want its domestic consumption to rise faster than overall growth so that the demand spills out to other countries.

The object is to stimulate faster export-led growth in other countries. This would contribute to a lowering of the German trade surplus and a shrinking of the trade deficits in other European countries and, ultimately, in the United States.

Mr. Trapp estimated that the tax measures would keep private German consumption growing at an annual average rate of 3.5 to 4 percent between 1986 and 1990. In light of the expected 2 percent rate of growth of domestic output, the pace of almost 4 percent in increased consumption would "historically be a quite large number," he said.

Such a development, he added, would produce a "significant impact on the trade surplus."

Wednesday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. Via The Associated Press.

Table of OTC prices for various stocks, including AEW, AIG, ALC, etc.

Table of stock prices for various companies, including AIG, ALC, AML, etc.

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Wednesday's AMEX Closing. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.











ART BUCHWALD

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WASHINGTON — The Hades Airline Company shareholders' meeting will rise for the Honorable Chairman like Boone. Hear ye, hear ye, the meeting is now in session.



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Perugino Work Sold for \$500,000

MILAN — A painting of the Virgin With Child by Raphael's teacher, Pietro Vannucci Perugino (c.1445-1523), was auctioned for 650 million lire (about \$500,000) here Tuesday.

A Family Matter in 'House of Games'

By Georgia Dulles New York Times Service ON the set of each new movie he produces, Michael Hausman hangs a sampler stitched with the words: "All mistakes happen in production."



Director Mamet with his wife and star during filming of "House of Games."

The husband and wife in the question are David Mamet, the film's writer and director, and Lindsay Crouse, his star.

When the project began, the stage was set for the realization of Hausman's worst fears about married couples and movies.

As Mamet pencils into the script yet another colorful line for the poker players, Crouse is heard to grumble, good-naturedly: "Yeah. Give these guys more dialogue. They don't talk enough in this movie."

Now Crouse is about to try a fast one by slipping the words, "No. No." into a speech. MAMET: (Shouting) No! No! CROUSE: Three times... and not let me do this scene.

she hates it," said Mamet, who believes lessons learned at the gaming table have helped him make Hollywood deals.

Crouse is the daughter of Russell Crouse, who wrote "Life With Father," "Arsenic and Old Lace" and other comedies with Howard Lindsay, for whom she was named.

PEOPLE

Arch of Triumph Drive

An international fund-raising campaign has been launched to restore the ailing Arch of Triumph in Paris, which now sits swaddled in plaster-like netting to keep chunks of stone from falling on tourists.

John B. Fairchild, the publisher of Women's Wear Daily, was made a Chevalier of the French Legion of Honor Wednesday night by Foreign Minister Jean-Francois Raimond.

A British newspaper disclosed Wednesday it had reached an out-of-court settlement with Jeffrey Archer, former Conservative Party deputy chairman, who won record damages from another paper earlier this year in a sex scandal.

CHRISTMAS GIFTS ANNOUNCEMENTS THE CHRISTMAS GIFTS GUIDE will be published every Saturday, starting October 17.

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